



ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON

August 30, 2021

To the Board of Trustees
Illinois Heartland Library System

We have audited the financial statements of the governmental activities and each major fund of Illinois Heartland Library System (the "System") for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 17, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the System are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the System changed accounting policies related to Custodial Funds and Long Term Debt by adopting Statement of Governmental Accounting Standards (GASB statements) Nos. 84, *Fiduciary Funds*, and 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. We noted no transactions entered into by the System during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Please also see the list of adjustments management has approved for correction.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 30, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the System's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the System's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Major Governmental Fund, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Employer Contributions, Notes to the Required Supplementary Information, and Notes to the Schedule of Employer Contributions which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual nonmajor fund financial statements and on the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Trustees of Illinois Heartland Library System and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,


Scheffel Boyle

ILLINOIS HEARTLAND LIBRARY SYSTEM

REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2021

ILLINOIS HEARTLAND LIBRARY SYSTEM

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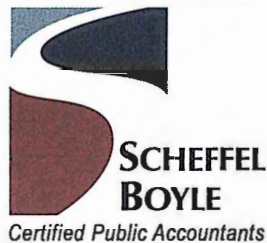
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ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON

August 30, 2021

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Illinois Heartland Library System

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Illinois Heartland Library System (the System) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 entity'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 entity'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the System, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then end in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Employer Contributions, notes to the RSI, and budgetary comparison information on pages 41-47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2021, on our consideration of the System's internal control over financial reporting and on 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 System's internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.



Alton, Illinois

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

Illinois Heartland Library System's Management Discussion and Analysis (MD&A) provides a narrative overview and analysis of the financial activities of the Illinois Heartland Library System for the fiscal year which ended June 30, 2021 (FY2021). The MD&A is designed to:

- Focus on significant financial issues;
- Provide an overview of the Illinois Heartland Library System's financial activities;
- Identify any material deviations from the financial plan (approved budget); and
- Identify issues and/or concerns for each individual Illinois Heartland Library System Fund.

Background

The Illinois Heartland Library System (IHLS) is a quasi-governmental agency of the State of Illinois established through a merger on July 1, 2011, of four regional library systems in central and southern Illinois (Lewis & Clark, Lincoln Trail, Rolling Prairie, and Shawnee). Each regional library system was dissolved effective June 30, 2011.

Library systems have been a part of the library landscape in Illinois for over five decades. Following the enacting legislation in 1965, there were 18 Illinois library systems. Prior to the July 2011 IHLS merger, nine multitype regional library systems were in Illinois with the remaining five merging in July 2011 as well, which established the Reaching Across Illinois Library System (RAILS). Library Systems are funded primarily by a grant (System Area & Per Capita) administered by the Illinois State Library (ISL), which is a division of the Illinois Secretary of State. In the founding legislation, the Library Systems Area & Per Capita Grant (23 ILAC 3035.100) formula is based on \$36.5451 per square mile and \$1.0513 per person. The demographic information from the 2010 Census is used to calculate the funding level and indicates a total population served of 2,248,634 and 28,368 square mile service area. In FY2015, IHLS received requested funding of \$3,364,429. However, in FY2016 and FY2017 due to Illinois budget impasse IHLS's funding level was reduced to 58% of FY2015 funding level - \$1,989,671. In FY2018 through FY2021, IHLS received funding for \$3,400,700.

Funds received from the System Area & Per Capita Grant (SAPG) are utilized by IHLS to provide services to member libraries and to pay for the basic administration operations of the organization. In FY2021, 524 libraries of various types participated as members of IHLS (30 academics, 227 publics, 235 school districts, and 32 special libraries). Membership totals fluctuate from year to year for several reasons – libraries are suspended for failure to meet membership qualifications, agencies such as school districts and academic libraries consolidate locations as a cost-savings measure, and new library agencies apply for and are approved as a member. The service area comprises 58 counties in central and southern Illinois. Services are focused on supporting resource sharing through library materials delivery, library automation services, and cataloging.

A legally established Board of Directors governs the operation of IHLS. The Board of Directors (consisting of fifteen board members) are elected from the member libraries. Eight members must be members of the governing board of public libraries. Additionally, seven board members must represent:

- An academic library (1 director)
- A public library (2 directors)
- A school library (3 directors)
- A special library (1 director)

As an organization, the Illinois Heartland Library System is guided by its mission statement and vision. The mission statement of IHLS is:

To support member libraries of all types in providing quality library services. IHLS facilitates access to shared resources, advocates for libraries, promotes innovation and develops community partnerships.

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

The vision of IHLS is:

Illinois Heartland Library System (IHLS) empowers libraries to embrace innovation and collaboration.

The Illinois Heartland Library System's basic financial statements contained in this report are comprised of three components:

- Government-wide Financial Statements,
- Fund Financial Statements, and
- Notes to the Financial Statements.

Government-Wide Financial Statements

The Government-wide financial statements distinguish functions of IHLS that are principally supported by grants and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The only core service provided with costs recovered through user fees is the Local Library System Automation Program (LLSAP) which is called Sharing Heartland's Available Resources Equally (SHARE). Information regarding the LLSAP is found under the Proprietary Fund – Computer Development Fund sections of the Audit Report.

The first two documents in the audit section titled, *Basic Financial Statements*, contain information that summarizes financial activity for all funds used to support IHLS's programs and projects. Page 11 contains the *Statement of Net Position* which presents information on all IHLS's assets and liabilities as of June 30, 2021. The *Statement of Activities*, found on page 12, reflects the change in Net Position and FY2021 Year End Net Position for all IHLS's programs and activities. All changes in the Net Position are reported in the fiscal year of occurrence, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. grant receivables and accounts payable).

Fund Financial Statements

Financial information for IHLS is reported by fund. Each fund is a separate accounting entity created to segregate specific activities and to ensure and demonstrate compliance with finance-related legal requirements. IHLS has three types of funds – Governmental, Proprietary, and Fiduciary.

There were several governmental funds represented in the FY2021 IHLS financial reports and audit. The *General Fund* contains the financial information for the general administration and operation of IHLS, and the provision of core services (except for automation and bibliographic access).

A *Capital Projects Fund* was established to ensure there are dedicated funds to be used for the purchase and/or replacement of capital items and for major facilities' renovation and repair. The *Capital Projects Fund* may be utilized for operating capital on a loan basis when allocated State funding is delayed.

Special Revenue Funds are grants awarded by ISL for specific projects undertaken by IHLS. In FY2021, IHLS had two *Special Revenue Funds* – *Cataloging Maintenance Center (CMC)*, and *Online Computer Library Center (OCLC) Billing*.

CMC is the more significant grant that provided funding to IHLS. The grant's purpose is to do original or copy cataloging of library materials, bibliographic database cleanup, training and assistance, and metadata consultation for all Illinois libraries and library consortia. IHLS has participated in this project since its inception.

The *OCLC Grant* is represented in the audited financial statements under "*Non-Major Governmental Funds*".

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

Proprietary Fund

IHLS has one Proprietary Fund referenced in these audited financial statements. Financial information presented in the *Computer Development Fund* is for the Local Library System Automation Program (LLSAP). IHLS internally refers to their *Computer Development Fund* as *Sharing Heartland Available Resources Equally (SHARE)*. As of June 30, 2021, *SHARE* currently represents 337 agencies (utilizing 469 library buildings). *SHARE* membership fluctuates based on factors such as: new (transitional) members, members' ability to afford membership fees, overall library sustainability, and the consolidation or closure of school libraries. IHLS's LLSAP participates in a single library automation system with a shared database. Staff from these libraries also receive technical and other support as well as training from IHLS.

The basic proprietary fund financial statements can be found on pages 17-19 of this report. The fees collected for this service support out-of-pocket expenditures (including direct staff and their benefits).

Fiduciary Fund (Custodial Funds)

Based on the audited financial statements, IHLS has three *Fiduciary Funds*, *The Online Computer Library Center, Inc. (OCLC) Fund*, *Lewis and Clark Library System 457 Plan*, and *SWAYS (Southwest Advocates For Youth Services)*. For OCLC, IHLS receives transaction information electronically from OCLC and the ISL. IHLS then generates and mails invoices throughout the State of Illinois for ILLINET OCLC services and applies cash receipts. These funds are then held in trust and disbursed to OCLC. For Lewis and Clark Library System 457 Plan, IHLS acts as a fiduciary for funds held in trust for participants that participated in the plan during the timeframe the Lewis and Clark Library System was operational. IHLS acts as a fiduciary for the Southwest Advocates for Youth Services and the monies held are for participants in that activity.

Notes to the Financial Statements

The notes provide additional information and insight that is essential to a full understanding of the data provided. *The Notes to the Financial Statements* can be found on pages 22-40 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning IHLS's budget to actual schedules and progress in funding its obligation to provide pension benefits to its employees. Required supplementary information for the budget to actual schedules and pension obligation can be found on pages 41-47 of this report.

The other supplementary schedules contain combined financial information and budget to actual comparison for Non-Major Funds. Other supplementary information can be found on pages 48-51 of this report.

Government-Wide Financial Analysis

Over time, Net Position may serve as a useful indicator of an entity's financial position. IHLS's Assets exceeded Liabilities by \$11,878,954 at the close FY2021.

The largest portion of the IHLS's Net Position (74%) is Cash and Cash Equivalents which is used as working capital, necessitated because of delays in the receipt of the System Area and Per Capita Funds. These funds are also utilized for capital improvements.

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

The following table (in millions) reflects the condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$ 7.0	\$ 6.9	\$ 2.2	\$ 1.9	\$ 9.2	\$ 8.8
Noncurrent Assets	5.0	3.1	1.7	0.8	6.7	3.9
Total Assets	<u>\$ 12.0</u>	<u>\$ 10.0</u>	<u>\$ 3.9</u>	<u>\$ 2.7</u>	<u>\$ 15.9</u>	<u>\$ 12.7</u>
Deferred Outflows of Resources	<u>\$ 1.4</u>	<u>\$ 2.2</u>	<u>\$ 0.6</u>	<u>\$ 0.9</u>	<u>\$ 2.0</u>	<u>\$ 3.1</u>
Current and Other Liabilities	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0	\$ 0.2	\$ 0.1
Long-Term Liabilities	0.2	0.2	0.1	0.1	0.3	0.3
Total Liabilities	<u>\$ 0.3</u>	<u>\$ 0.3</u>	<u>\$ 0.2</u>	<u>\$ 0.1</u>	<u>\$ 0.5</u>	<u>\$ 0.4</u>
Deferred Inflows of Resources	<u>\$ 3.9</u>	<u>\$ 3.3</u>	<u>\$ 1.6</u>	<u>\$ 1.4</u>	<u>\$ 5.5</u>	<u>\$ 4.7</u>
Net Position						
Net Investment in Capital Assets	\$ 1.4	\$ 1.6	\$ 0.2	\$ 0.2	\$ 1.6	\$ 1.8
Restricted	0	0	0	0	0	0
Unrestricted	7.8	7.0	2.5	1.9	10.3	8.9
Total Net Position	<u>\$ 9.2</u>	<u>\$ 8.6</u>	<u>\$ 2.7</u>	<u>\$ 2.1</u>	<u>\$ 11.9</u>	<u>\$ 10.7</u>

Long-Term Liabilities represents the value of earned, but unused vacation accumulated by employees, as well as Net Pension Liability related to participation in the Illinois Municipal Retirement (IMRF) Fund, as of June 30, 2021. Restricted Assets are the remaining fund balances for the Capital Projects, CMC Grant, and OCLC Grant Funds which must be used by those funds only. IHLS has internally set aside committed and reserve funds in its *Computer Development Fund (SHARE)* for the eBooks combined purchases and future capital outlay purchases.

The following table (in millions) is a summary of the Statement of Activities for the years ending June 30, 2021 and 2020:

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues						
Charges for Services	\$ 0.3	\$ 0.3	\$ 1.6	\$ 1.5	\$ 1.9	\$ 1.8
Operating Grants and Contr.	3.9	3.9	0.2	0	4.1	3.9
General Revenues	0	0.1	0.3	0	0.3	0.1
Internal Activity - Transfers	(0.3)	(0.3)	0.3	0.3	0	0
Total Revenues	<u>\$ 3.9</u>	<u>\$ 4.0</u>	<u>\$ 2.4</u>	<u>\$ 1.8</u>	<u>\$ 6.3</u>	<u>\$ 5.8</u>
Expenses:						
General Library Services	\$ 3.3	\$ 3.8	\$ 0	\$ 0	\$ 3.3	\$ 3.8
Computer Development			1.8	1.6	1.8	1.6
Total Expenses	<u>\$ 3.3</u>	<u>\$ 3.8</u>	<u>\$ 1.8</u>	<u>\$ 1.6</u>	<u>\$ 5.1</u>	<u>\$ 5.4</u>
Change in Net Position	\$ 0.6	\$ 0.2	\$ 0.6	\$ 0.2	\$ 1.2	\$ 0.4
Beginning Net Position	8.6	8.4	2.1	1.9	10.7	10.3
Ending Net Position	<u>\$ 9.2</u>	<u>\$ 8.6</u>	<u>\$ 2.7</u>	<u>\$ 2.1</u>	<u>\$ 11.9</u>	<u>\$ 10.7</u>

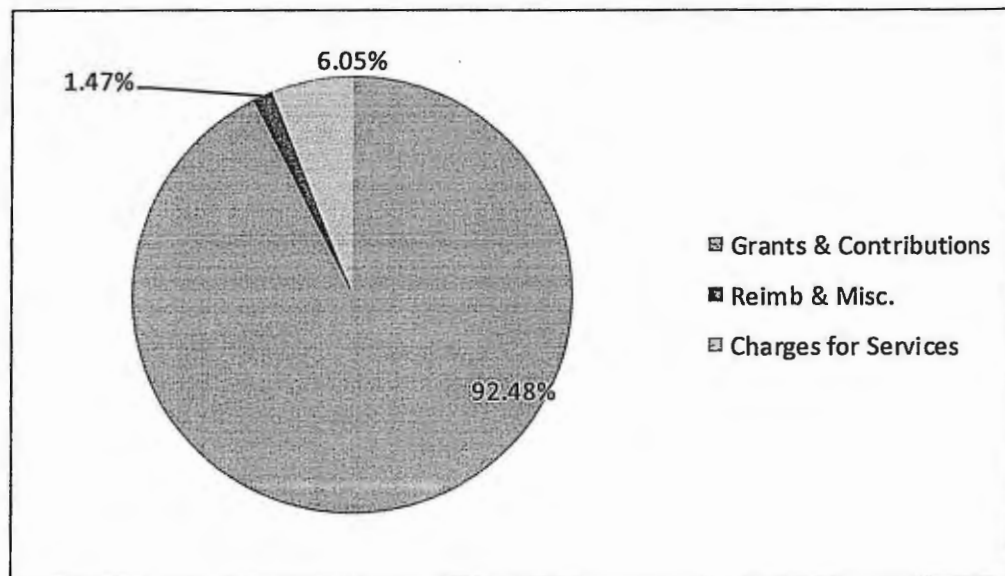
ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

This Statement reflects a change in Net Position of \$1,271,083. This is a 359% increase from the prior year. This increase in the current year is attributable to the Actuarial Valuation performed in the System's participation in the Illinois Municipal Retirement Fund. The System recognized current year pension income of \$1,012,878, compared to pension expense of \$227,866 in the prior year.

Revenues by Source

Government Activities

The following pie chart depicts total revenue by percentage. This is a typical distribution of Revenue for a multi-type library system:



Business Type Activities

Based on the audited financial statements, IHLS's business-type activity is the LLSAP, SHARE. As reported on the *Statement of Revenues, Expenses, and Changes in Fund Net Position* (page 18), *Charges for Services* continued to represent most of the *Operating Revenues* (approximately 68%).

Financial Analysis of the Government's Funds

As noted earlier, IHLS uses fund accounting to demonstrate and ensure compliance with finance-related legal and grant requirements. Indicated on page 15, as of June 30, 2021, *IHLS's Governmental Funds* reported a combined ending fund balance of \$6,835,887.

IHLS developed a budget based on the priority areas identified by the ISL and the *FY2021 Goals* contained in the *IHLS Plan of Service*. The budget must be approved by the IHLS's Board of Director and the ISL. IHLS's staff uses the budget to guide the operations throughout the fiscal year. FY2021 budget represents normal funding levels.

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

General Fund

The following table compares the budget to actual expenditures for the *General Fund*. IHLS used its approved budget:

	Original Budget	Final Budget	Actual
Revenues:			
Area and Per Capita Grants	\$ 3,400,700	\$ 3,400,700	\$ 3,400,700
Fees for Services and Material	257,835	257,835	258,005
Reimbursements	5,650	5,650	17,113
Investment income	37,970	37,970	2,075
Miscellaneous	25,662	25,662	12,783
Total Revenues	<u>\$ 3,727,817</u>	<u>\$ 3,727,817</u>	<u>\$ 3,690,676</u>
Expenditures:			
Personnel	\$ 2,568,371	\$ 2,568,371	\$ 2,306,028
Other Operating Expenditures	1,164,779	1,264,779	934,324
Total Expenditures	<u>\$ 3,733,150</u>	<u>\$ 3,833,150</u>	<u>\$ 3,240,352</u>
Excess of Revenue Over (Under)			
Expenditures	<u>(5,333)</u>	<u>(105,333)</u>	<u>450,324</u>
Other Financing Sources (Uses):			
Transfers In (Out)	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>
Net Change in Fund Balance	<u>\$ (305,333)</u>	<u>\$ (405,333)</u>	<u>\$ 150,324</u>

In the General Fund, IHLS welcomed one brand new colleague in FY2021 and saw adjustments in the work schedules of three others. All these changes had a positive impact on the organization. Two couriers moved from part-time status to full-time status; this was achieved by attrition and not filling open part-time positions in that classification. This conversion achieves a few objectives: an overall savings in direct personnel costs from several to one employee; development of a staff member who is better-versed in organization routines and policies; reduction in administrative tasks related to employee turnover and onboarding; and a decrease in management tasks such as scheduling, performance appraisals and quarterly staff check-ins.

The Human Resources Business Partner left the organization early in the fiscal year, reducing that department to one staff member. Our part-time Human Resources Coordinator moved to full-time status. To supplement staffing in the HR department we reached out to administrative staff in other departments for assistance with some projects. A new Communications Coordinator joined our organization and made a significant impact on staff workflow and member communication. As part of the administrative staff team, the coordinator doubles the outreach of our marketing and communication efforts. Our social media channels are now consistent and dependably managed, we have a reliable production schedule for our membership newsletter, and dedicated leadership for our communications efforts including all proofreading and internal communications.

Due to COVID-19 challenges, the operations and delivery staff returned to our three buildings full time in summer 2020. Our finance staff adopted a hybrid model of in-building and remote work to ensure all tasks were appropriately handled. The remaining staff worked as needed in the buildings with the majority of time spent working remotely.

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

Cataloging Maintenance Center (CMC)

In FY2021, the Cataloging Maintenance Center (CMC) project continued its statewide focus on bibliographic database cleanup, cataloging library materials, and training in a variety of formats. Staff presented 7 Online with the CMC webinars to a total of 253 live attendees: 134, RAILS, 112, SHARE/IHLS, 7, other/unknown. Sessions are recorded and posted for later viewing as well. Team members presented at conferences including Reaching Forward South and Illinois Library Association, PrairieCat Users Group Day, the System Wide Automated Network eXpo, and to an Illinois State University school librarian course. In addition, four Moodle cataloging classes including a new class on 3D Objects, Kits, and Realia, where 39 students successfully completed the courses, 30, RAILS, 8, IHLS, 1, other (Illinois State Library new employee).

Significant library or agency projects in FY2021 included cataloging a digitized collection of oral history transcripts for the Joliet Junior College (JJC) Library (40 of 89 transcripts have been cataloged), and continued cleanup of the PrairieCat automated libraries' shared database (773 bibliographic records/items were processed, 31 record merges were identified, and 804 OCLC bibliographic records were exported or supplied). Staff provided routine cataloging of genealogy items, kits, local authors, local history materials, special collections, archival collections, CDs, DVDs, and books in English, Arabic, German, Korean, and Spanish: in total 1,311 items were originally cataloged, and 343 bibliographic records were enhanced. In addition, 53 name authority records were created improving access to library materials for CMC customers as well as worldwide. There were 518 items reviewed for RAILS and IHLS/SHARE libraries. Staff completed 10 continuing education courses. CMC staff are being trained in merging print books and e-books as part of the OCLC Member Merge Project: 168 print book and 110 e-book records were merged. Three CMC staff have graduated from training and are expected to continue to find records to merge on their own.

Capital Projects Fund

IHLS has aging buildings and equipment. Capital Assets for IHLS include purchases of items or services with a minimum per unit cost of \$5,000. Capital Projects in FY2021 included the cost of the renovation to the first floor of the Edwardsville building. These updates included: Epoxy flooring in the garage area, removal of tiling and sealing of concrete in the delivery area, new carpet in the office area, and removal of wallpaper and painting of the renovated areas. Unlike previous years, no funds were transferred to Capital Projects from the General Fund in FY2021, due to the estimated budget deficit in the General Fund.

Capital Assets

The table below shows the value (in thousands) of IHLS Capital Assets at June 30, 2021 and 2020:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Land	\$ 411.6	\$ 411.6	\$ 0	\$ 0	\$ 411.6	\$ 411.6
Assets in Progress	0	0	0	0	0	0
Buildings & Improvements	718.0	735.5	0	0	718.0	735.5
Equipment & Other	1.4	3.3	0	0	1.4	3.3
Furniture & Fixtures	0	0	0	0	0	0
Computers	10.9	28.5	167.7	202.0	178.6	230.5
Vehicles	227.6	370.0	0	0	227.6	370.0
Total Capital Assets	<u>\$ 1,369.6</u>	<u>\$ 1,548.9</u>	<u>\$ 167.7</u>	<u>\$ 202.0</u>	<u>\$ 1,537.3</u>	<u>\$ 1,750.9</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

Discussions of Currently Known Facts, Decisions, or Conditions

IHLS's FY2021 budget was developed using the modified zero-based budget process. Administrative staff from the system participated in developing the budget. Careful consideration was given to the core service priorities as expressed by the Illinois Secretary of State and the Illinois State Library.

The primary funding source for the *Governmental Activities* is the System Area and Per Capita Grant from the Illinois State Library, which is supported by the Illinois General Revenue, the Live and Learn, and Federal Funds. The federal source of funding is through the Library Services and Technology Act (LSTA). Other revenue sources used for the *Proprietary Activities* include the fees collected to support the operation of the LLSAP, SHARE, which provides services to approximately 337 agencies.

FY2014 marked the first completed fiscal year of nearly 300-member libraries sharing a single integrated library system. The SHARE consortium utilizes Polaris Integrated Library Systems for its automation platform. The SHARE membership continues to contribute annually to a reserve fund in anticipation of hardware replacement, technology upgrades, and to have the capital to implement a new software platform if a change in vendor becomes necessary.

A prudent business practices framework will continue to guide policies and financial decisions, providing a more sustainable model. As IHLS moves into FY2022, it will continue to balance staying within the priority areas established by the Illinois State Library, providing quality service based on identified member needs, and remaining fiscally responsible (knowing the financial realities of available funding).

Request for Information

This financial report is designed to provide a general review of the Illinois Heartland Library System for all those with an interest in IHLS's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Illinois Heartland Library System, Edwardsville Office, 6725 Goshen Road, Edwardsville, IL 62025.

ILLINOIS HEARTLAND LIBRARY SYSTEM

STATEMENT OF NET POSITION

JUNE 30, 2021

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 6,793,614	\$ 1,983,644	\$ 8,777,258
Accounts Receivable	22,571	62,544	85,115
Due from Other Funds		411	411
Prepaid Expenses	145,316	184,575	329,891
Total Current Assets	\$ 6,961,501	\$ 2,231,174	\$ 9,192,675
Noncurrent Assets:			
Capital Assets:			
Not Being Depreciated	\$ 411,667		\$ 411,667
Being Depreciated -			
Net of Accumulated Depreciation	957,898	\$ 167,748	1,125,646
Net Pension Asset	3,648,534	1,493,765	5,142,299
Total Noncurrent Assets	\$ 5,018,099	\$ 1,661,513	\$ 6,679,612
Total Assets	\$ 11,979,600	\$ 3,892,687	\$ 15,872,287
Deferred Outflows of Resources:			
Deferred Outflows from Pension Contributions	\$ 1,452,069	\$ 578,911	\$ 2,030,980
Total Deferred Outflows of Resources	\$ 1,452,069	\$ 578,911	\$ 2,030,980
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 13,431,669	\$ 4,471,598	\$ 17,903,267
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>			
Current Liabilities:			
Accounts Payable	\$ 46,282	\$ 21,006	\$ 67,288
Due to Other Funds	411		411
Accrued Expenses	78,921	33,058	111,979
Unearned Revenue		1,566	1,566
Total Current Liabilities	\$ 125,614	\$ 55,630	\$ 181,244
Long-Term Liabilities:			
Accrued Compensated Absences	\$ 170,698	\$ 81,658	\$ 252,356
Total Long-Term Liabilities	\$ 170,698	\$ 81,658	\$ 252,356
Total Liabilities	\$ 296,312	\$ 137,288	\$ 433,600
Deferred Inflows of Resources:			
Deferred Inflows of Resources Related to Net Pension Asset	\$ 3,942,796	\$ 1,647,917	\$ 5,590,713
Total Deferred Inflows of Resources	\$ 3,942,796	\$ 1,647,917	\$ 5,590,713
Net Position:			
Net Investment in Capital Assets	\$ 1,369,565	\$ 167,748	\$ 1,537,313
Restricted			
Grant Expenditures	35,766		35,766
Unrestricted	7,787,230	2,518,645	10,305,875
Total Net Position	\$ 9,192,561	\$ 2,686,393	\$ 11,878,954
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 13,431,669	\$ 4,471,598	\$ 17,903,267

The accompanying notes are an integral part of the financial statements.

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Program Revenues				Net (Expense)/Revenue And Changes in Net Position - Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Library Services	\$ 4,112,307	\$ 258,005	\$ 3,947,143		\$ 92,841		\$ 92,841
Business-Type Activities:							
Computer Development	1,782,340	1,595,283	160,254			\$ (26,803)	(26,803)
	<u>\$ 5,894,647</u>	<u>\$ 1,853,288</u>	<u>\$ 4,107,397</u>	<u>\$ 0</u>	<u>\$ 92,841</u>	<u>\$ (26,803)</u>	<u>\$ 66,038</u>
General Revenues:							
Reimbursements					\$ 17,113		\$ 17,113
Investment Income					7,417	\$ 1,022	8,439
Miscellaneous					38,283	7	38,290
Pension Income					810,435	347,330	1,157,765
Gain (Loss) on Sale of Assets					(16,562)		(16,562)
Internal Activity - Transfers					(300,000)	300,000	
Total General Revenues					<u>\$ 556,686</u>	<u>\$ 648,359</u>	<u>\$ 1,205,045</u>
Change in Net Position					\$ 649,527	\$ 621,556	\$ 1,271,083
Net Position - Beginning of Year					8,543,034	2,064,837	10,607,871
Net Position - End of Year					<u>\$ 9,192,561</u>	<u>\$ 2,686,393</u>	<u>\$ 11,878,954</u>

The accompanying notes are an integral part of the financial statements.

ILLINOIS HEARTLAND LIBRARY SYSTEM
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	Major Funds			Non-Major	Total
	General	CMC	Capital	Governmental	Governmental
	Fund	Grant	Projects	Funds	Funds
	Fund	Fund	Fund		
ASSETS:					
Cash and Cash Equivalents	\$ 5,105,865	\$ 19,754	\$ 1,662,667	\$ 5,328	\$ 6,793,614
Due from Other Funds		114		45	159
Accounts Receivable	22,571				22,571
Prepaid Expenses	141,830	2,510		976	145,316
Total Assets	<u>\$ 5,270,266</u>	<u>\$ 22,378</u>	<u>\$ 1,662,667</u>	<u>\$ 6,349</u>	<u>\$ 6,961,660</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts Payable	\$ 44,226	\$ 1,853		\$ 203	\$ 46,282
Due to Other Funds	570				570
Accrued Expenses	66,004	9,739		3,178	78,921
Total Liabilities	<u>\$ 110,800</u>	<u>\$ 1,592</u>	<u>\$ 0</u>	<u>\$ 3,381</u>	<u>\$ 125,773</u>
Fund Balances:					
Non-Spendable	\$ 141,830	\$ 2,510		\$ 976	\$ 145,316
Restricted		8,276	\$ 25,500	1,992	35,768
Assigned			1,637,167		1,637,167
Unassigned	5,017,636				5,017,636
Total Fund Balances	<u>\$ 5,159,466</u>	<u>\$ 10,786</u>	<u>\$ 1,662,667</u>	<u>\$ 2,968</u>	<u>\$ 6,835,887</u>
Total Liabilities and Fund Balances	<u>\$ 5,270,266</u>	<u>\$ 22,378</u>	<u>\$ 1,662,667</u>	<u>\$ 6,349</u>	<u>\$ 6,961,660</u>

The accompanying notes are an integral part of the financial statements.

ILLINOIS HEARTLAND LIBRARY SYSTEM
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total Fund Balance, Governmental Funds	\$ 6,835,887
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Total net position reported for government activities in the
statement of net position is different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported
in the funds.

Those assets consist of

Land	\$	411,667	
Buildings and Improvements, net of			
\$1,842,206 accumulated depreciation		718,043	
Equipment and Other, net of			
\$2,002,330 accumulated depreciation		1,391	
Computers, net of \$1,058,307			
accumulated depreciation		10,914	
Automobiles, net of \$729,874			
accumulated depreciation		227,550	
Total			1,369,565

Net pension asset and related deferrals are not due and payable
and/or receivable in the current period, therefore, is not reported
in governmental funds

1,157,807

Balance of Compensated Absences at June 30, 2021

(170,698)

Total Net Position of Governmental Activities

\$ 9,192,561

The accompanying notes are an integral part of the financial statements.

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Major Fund			Non-Major	Total
	General	CMC	Capital	Governmental	Governmental
	Fund	Grant	Projects	Funds	Funds
	Fund	Fund	Fund		
REVENUES:					
State Grants:					
Area and Per Capita - State Allotment	\$ 2,740,978				\$ 2,740,978
Area and Per Capita - Federal Pass Through	659,722				659,722
Illinois State Library		\$ 387,798		\$ 158,645	546,443
Fees for Services and Material	258,005				258,005
Reimbursements	17,113				17,113
Investment Income	2,075		\$ 5,342		7,417
Other Revenue	12,783		25,500		38,283
Total Revenues	<u>\$ 3,690,676</u>	<u>\$ 387,798</u>	<u>\$ 30,842</u>	<u>\$ 158,645</u>	<u>\$ 4,267,961</u>
EXPENDITURES:					
Current:					
General Library Services:					
Personnel Service	\$ 2,306,030	\$ 320,209		\$ 120,505	\$ 2,746,744
Contractual Services	200,046	47,775		24,437	272,258
Supplies and Materials	731,075	20,124		10,092	761,291
Member Library Reimbursement Expense	3,203				3,203
Capital Outlay			\$ 170,779		170,779
Total Expenditures	<u>\$ 3,240,354</u>	<u>\$ 388,108</u>	<u>\$ 170,779</u>	<u>\$ 155,034</u>	<u>\$ 3,954,275</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 450,322</u>	<u>\$ (310)</u>	<u>\$ (139,937)</u>	<u>\$ 3,611</u>	<u>\$ 313,686</u>
OTHER FINANCING SOURCES (USES):					
Transfers In (Out)	\$ (300,000)				\$ (300,000)
Total Other Financing Sources (Uses)	<u>\$ (300,000)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (300,000)</u>
NET CHANGE IN FUND BALANCE	150,322	(310)	(139,937)	3,611	13,686
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>5,009,144</u>	<u>11,096</u>	<u>1,802,604</u>	<u>(643)</u>	<u>6,822,201</u>
FUND BALANCE - END OF YEAR	<u>\$ 5,159,466</u>	<u>\$ 10,786</u>	<u>\$ 1,662,667</u>	<u>\$ 2,968</u>	<u>\$ 6,835,887</u>

The accompanying notes are an integral part of the financial statements.

ILLINOIS HEARTLAND LIBRARY SYSTEM
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Net Change in Fund Balances - Total Governmental Funds	\$ 13,686
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures while Governmental Activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation expense exceeds capital outlay in the current period, including gains or losses on disposition of assets.	(179,360)
Changes in compensated absences reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds	4,766
Changes in net pension asset/liability, deferred outflows and deferred inflows related to pension assets/liabilities are reported only in the Statement of Activities	810,435
Change in Net Position of Governmental Activities	<u>\$ 649,527</u>

The accompanying notes are an integral part of the financial statements.

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2021

	<u>Computer Development Fund</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	
Current Assets:	
Cash and Cash Equivalents	\$ 1,983,644
Accounts Receivable	62,544
Prepaid Expenses	184,575
Due From Other Funds	411
Total Current Assets	<u>\$ 2,231,174</u>
Noncurrent Assets:	
Capital Assets:	
Depreciable Capital Assets	\$ 3,021,743
Accumulated Depreciation	<u>(2,853,995)</u>
Net Capital Assets	167,748
Net Pension Asset	<u>1,493,765</u>
Total Noncurrent Assets	<u>\$ 1,661,513</u>
Total Assets	<u>\$ 3,892,687</u>
Deferred Outflows of Resources:	
Deferred Outflow from Pension Contribution	\$ 578,911
Total Deferred Outflows of Resources	<u>\$ 578,911</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 4,471,598</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION:	
Current Liabilities:	
Accounts Payable	\$ 21,006
Accrued Expenses	33,058
Unearned Revenue	1,566
Total Current Liabilities	<u>\$ 55,630</u>
Long-Term Liabilities:	
Compensated Absences Payable	\$ 81,658
Total Long-Term Liabilities	<u>\$ 81,658</u>
Total Liabilities	<u>\$ 137,288</u>
Deferred Inflows of Resources:	
Deferred Inflows of Resources Related to Net Pension Asset	\$ 1,647,917
Total Deferred Inflows of Resources	<u>\$ 1,647,917</u>
Net Position:	
Net Investment in Capital Assets	\$ 167,748
Unrestricted	2,518,645
Total Net Position	<u>\$ 2,686,393</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 4,471,598</u></u>

The accompanying notes are an integral part of the financial statements

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Computer Development Fund</u>
OPERATING REVENUES:	
Charges for Services	\$ 1,424,718
Grants	160,254
Member Library Reimbursement Revenue	170,565
Pension Income	347,330
Miscellaneous Income	7
Total Operating Revenues	<u>\$ 2,102,874</u>
OPERATING EXPENSES:	
Personnel Services	\$ 1,008,772
Contractual Services	242,776
Supplies and Materials	296,174
Member Library Reimbursement Expense	165,249
Depreciation	69,369
Total Operating Expenses	<u>\$ 1,782,340</u>
NET OPERATING INCOME (LOSS)	<u>\$ 320,534</u>
OTHER INCOME (EXPENSE)	
Investment Income	\$ 1,022
Total Other Income (Expense)	<u>\$ 1,022</u>
NET INCOME (LOSS)	\$ 321,556
TRANSFERS IN	<u>300,000</u>
CHANGE IN NET POSITION	\$ 621,556
NET POSITION - BEGINNING OF YEAR	<u>2,064,837</u>
NET POSITION - END OF YEAR	<u><u>\$ 2,686,393</u></u>

The accompanying notes are an integral part of the financial statements.

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Computer Development Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 1,583,994
Receipts from Interfund Services Provided	160,254
Payments to Vendors	(706,937)
Payments to Employees	(998,283)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 39,028</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Operating Transfers From (To) Other Funds	\$ 300,000
Decrease in Due from Other Funds	1,656
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>\$ 301,656</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Payments for Capital Acquisitions	\$ (35,081)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>\$ (35,081)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment Income	<u>\$ 1,022</u>
NET INCREASE IN CASH	306,625
CASH, BEGINNING OF YEAR	<u>1,677,019</u>
CASH, END OF YEAR	<u><u>\$ 1,983,644</u></u>
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	
Net Operating Income (Loss)	\$ 320,534
Adjustment to Reconcile Net Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	69,369
(Increase) Decrease in Assets:	
Accounts Receivable	(33,272)
Prepaid Expenses	20,410
Deferred Outflows of Resources	323,148
Increase (Decrease) in Liabilities:	
Accounts Payable	(233)
Deferred Inflows of Resources	239,261
Net Pension Asset/Liability	(909,739)
Accrued Expenses	9,355
Unearned Revenue	1,566
Compensated Absences Payable	<u>(1,371)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	<u><u>\$ 39,028</u></u>

The accompanying notes are an integral part of the financial statements.

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
JUNE 30, 2021

	SWAYS - Custodial Fund	Lewis and Clark Library System 457 Plan - Custodial Fund	OCLC - Custodial Fund	Total
ASSETS				
Current Assets:				
Cash	\$ 2,089	\$ 314,669	\$ 2,422,550	\$ 2,739,308
LIABILITIES				
Current Liabilities:				
Due To Other Agencies	\$ 1,974	\$ 314,669	\$ 2,422,550	\$ 2,739,193
NET POSITION	\$ 115	\$ 0	\$ 0	\$ 115
TOTAL LIABILITIES AND NET POSITION	\$ 2,089	\$ 314,669	\$ 2,422,550	\$ 2,739,308

The accompanying notes are an integral part of the financial statements.

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
JUNE 30, 2021

	SWAYS - Custodial Fund	Lewis and Clark Library System 457 Plan - Custodial Fund	OCLC - Custodial Fund	Total
REVENUES:				
Total Revenues:	\$ 0	\$ 0	\$ 0	\$ 0
EXPENDITURES:				
Total Expenditures:	\$ 0	\$ 0	\$ 0	\$ 0
NET CHANGE IN POSITION	\$ 0	\$ 0	\$ 0	\$ 0
NET POSITION, BEGINNING OF YEAR	\$ 115	\$ 0	\$ 0	\$ 115
NET POSITION, END OF YEAR	\$ 115	\$ 0	\$ 0	\$ 115

The accompanying notes are an integral part of the financial statements.

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Illinois Heartland Library System (the System) are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments. GAAP includes all relevant GASB pronouncements plus other sources of accounting and financial reporting guidance noted in GASB Statement 55, *The Hierarchy of GAAP for State and Local Governments*. The more significant accounting policies established by GAAP and used by the System are discussed below.

A. Financial Reporting Entity

The System was created July 1, 2011 by the merger of four regional library systems in southern and central Illinois. The System provides delivery, and automation (online catalog software) services to the libraries of southern and parts of central Illinois, as well as certain grant program services, such as the Catalog Maintenance Center to libraries throughout Illinois. The System is governed by a 15 member Board of Directors selected from among the System's member organizations.

The definition of what constitutes the entity of the System is based on the guidelines set forth in GASB Statement Number 14, as amended by GASB Statement 61. The primary government of the System consists of the funds presented herein as governmental funds, a proprietary fund, and a fiduciary fund.

According to GASB Statement No. 14, as amended by Statement Number 61, a legally separate organization should be included as a component unit of the primary organization if the primary government is financially accountable for the organization. Financial accountability is determined as follows:

1. The organization is fiscally dependent on the primary government and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or
2. The primary government appoints a voting majority of the organization's governing body and:
 - It is able to impose its will on the organization, or
 - There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the primary government.

Based on the operational and financial criteria noted above, the System does not have a component unit that should be reported as part of the reporting entity.

Related organizations for which the Directors appoint a voting majority of the governing body, but for which the System is not financially accountable, are not included in the reporting entity.

Jointly governed organizations are those for which the System does not have an on-going financial interest or responsibility. Jointly governed organizations are not included in the reporting entity.

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the System as a whole. They include all funds of the System, except the fiduciary funds. The Statement of Net Position and the Statement of Activities include the governmental activities and business-type activities. Governmental activities generally are financed through intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Internal balances and activities within the System's funds are eliminated in the government-wide financial statements. Transactions between the governmental and business-type activities are not eliminated.

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting (as described in Note 1.c).

Fund Financial Statements

Fund financial statements of the System are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. The System's funds are organized into three categories: governmental, proprietary, and fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the System or meets the following criteria:

1. Total assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures/expenses of that individual fund are at least 10 percent of the corresponding total for all funds of that category or type.
2. Total assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures/expenses of the individual fund are at least 5 percent of the corresponding total for all funds combined.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting (as described in Note 1.c.).

The proprietary and fiduciary fund financial statements are reported on the accrual basis of accounting (as described in Note 1.c.).

The fund types of the System are described below:

Governmental Funds

The focus of the governmental funds' measurement (in the fund financial statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the System:

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

General Fund - The General Fund is the primary operating fund of the System and is always classified as a major fund. It is used to account for all activities except automation and bibliographic access and those activities legally or administratively required to be accounted for in other funds.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The reporting entity of the System includes the following special revenue funds:

Major Special Revenue Fund

CMC Grant Fund – Grants from the Illinois State Library finance this fund, which acts as the fiscal agent for the Cataloging Maintenance Center program.

Non-Major Special Revenue Fund

The System's non-major special revenue fund is the OCLC Grant Fund.

Capital Projects Funds – Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets other than those financed by Proprietary Funds. The reporting entity includes one capital projects fund, the Capital Projects Fund, a major governmental fund.

Proprietary Fund

Enterprise Fund – An Enterprise Fund is used to account for business-like activities provided to the general public or outside entities. The measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund that is reported as a major fund:

Computer Development Fund – Accounts for all activities related to an automated library database system that provides widespread library accessibility services to a system of member libraries.

Fiduciary Funds

Fiduciary funds are used to report assets held by the System in a trustee or custodial capacity for others and therefore cannot be used to support the System's own programs. The System has three fiduciary funds, the OCLC-Custodial Fund, which is used to account for funds held in trust for the ILLINET OCLC, Lewis and Clark Library System 457 Plan – Custodial Fund, which is used to account for funds held in trust for participants that participated in the Lewis and Clark Library System when the organization was still in service, and SWAYS – Custodial Fund, which is used to account for funds from the Southwest Advocates for Youth Services.

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting

1. Accrual

Governmental activities and business-type activities in the government-wide financial statements and enterprise fund financial statements are presented on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized when it becomes both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The System considers receipts within 60 days of year-end to be available. Expenditures generally are recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when payment is due.

D. Cash and Cash Equivalents

Cash and cash equivalents includes deposits at financial institutions, short-term investments with original maturities at issuance of three months or less, certificates of deposit, and funds held in money market mutual funds at depository banks.

E. Receivables

Receivables are reported at the estimated net realizable amounts from third-party payers and others for services rendered. Receivables are stated at the amount management expects to collect on outstanding balances. The System's allowance for doubtful receivables at June 30, 2021 was \$0.

F. Interfund Balances

Receivables and payables between funds are reported as due from and due to other funds, respectively. Amounts not expected to be repaid within a reasonable time are considered interfund transfers. In governmental funds, amounts due from other funds expected to be repaid within a reasonable time, but beyond one year from June 30, 2021, as well as other long-term receivables are offset by non-spendable fund balance because they do not represent expendable, available financial resources.

G. Prepaid Expenditures/Expenses

Prepaid expenditures/expenses such as for insurance or service contracts are deferred and expensed over the term when the services are received.

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets

Capital assets purchased for use in governmental activities are recorded as expenditures in governmental fund financial statements at the time of purchase. Capital assets of governmental activities are reported in the government-wide financial statements offset by accumulated depreciation. Capital assets are valued at actual or estimated historical cost while donated capital assets are valued at their fair market value on the date donated. Capital assets are defined as assets with initial, individual costs over \$5,000 and an estimated useful life in excess of one year.

Depreciation is calculated on all capital assets (other than land, assets that appreciate in value, and impaired capital assets carried at net realizable value) using the straight-line method with the following estimated useful lives:

	<u>Years</u>
Buildings and Improvements	10 - 30
Equipment and Other	7
Furniture and Fixtures	8
Computers	5
Vehicles	5

The System has no intangible assets subject to capitalization.

I. Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the System's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the government-wide and fund financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position/fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the government-wide and fund financial statements include a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position/fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and will be recognized as inflows of resources (revenue) in the year in which they are intended to be available to finance expenditures.

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Program Revenues

Program Revenues on the statement of activities include the following:

Governmental Activities

Charges for Services	Fees paid by outside entities for the services provided by the General Fund
Operating Grants and Contributions	Grants used to support operations
Capital Grants and Contributions	Grants used to purchase equipment, vehicles, and other capital assets

Business-type Activities

Charges for Services	Fees paid by outside entities for the automated library database services
Operating Grants and Contributions	Grants used to support operations
Capital Grants and Contributions	Grants used to purchase equipment and other capital assets

L. Operating and Non-Operating Revenues and Expenses of the Proprietary Fund

Operating revenues and expenses for the proprietary fund are those that result from providing services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

M. Reimbursement Revenue

In the fund financial statements, the System has recorded \$14,422 of Reimbursements Revenue and Contractual Services Expenditures related to the allocation of Administrative and Facilities Costs from the General Fund to certain grant funds, as allowed by the applicable grant agreement. In the government-wide financial statements, this interfund activity has been eliminated.

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Compensated Absences

It is the System's policy to permit employees to accumulate earned but unused vacation up to a limit of 200 percent of an employee's annual amount of vacation earned. Vacation is accrued using the vesting method. All vacation is accrued when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

O. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

P. New Accounting Pronouncements

Effective July 1, 2020, the System adopted the provisions of GASB Statement No. 84, Fiduciary Activities and GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.

The objective of GASB Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The objective of GASB Statement No. 88 is to improve the information that is disclosed in the notes to financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. GASB statement No. 88 defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The implementation of GASB Statement No. 88 had no impact on the financial statements of the System for the year ended June 30, 2021.

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Future Accounting Pronouncements

GASB Statement No. 87, Leases, will be effective for the System beginning with its fiscal year ending June 30, 2022. Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation. GASB Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. Under this statement, a government entity that is a lessee must recognize (1) a lease liability, (2) an intangible asset representing the lessee's right to use the leased asset, (3) report the amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (4) interest expense on the lease liability and (5) note disclosures about the lease. The system recognized \$128,880 of operating lease expense and disclosed \$449,081 of future minimum lease payments in the current year.

NOTE 2. FUND BALANCE REPORTING

According to Government Accounting Standards, fund balances are to be classified into five major classifications; Nonspendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance. Below are definitions of the differences and how these balances are reported:

A. Nonspendable Fund Balance

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example inventories or prepaid amounts. The General Fund, CMC Grant Fund, and OCLC Grant Fund had nonspendable funds of \$141,830, \$2,510, and \$976, respectively, at fiscal year end June 30, 2021.

B. Restricted Fund Balance

The restricted fund balance classification refers to amounts that are subject to outside restrictions, not controlled by the entity. Things such as restrictions imposed by creditors, grantors, contributors, or law and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Special Revenue Funds are by definition restricted for those specific purposes. The System has several revenue sources received within different funds that fall into these categories:

1. State Grants

Proceeds from state and local grants and the related expenditures have been included in the CMC Grant Fund, Capital Projects Fund, and the OCLC Grant Fund. At June 30, 2021, revenue received exceeded expenditures disbursed from state and local grants in the CMC Grant Fund, Capital Projects Fund, and the OCLC Grant Fund resulting in restricted fund balances of \$8,276, \$25,500, and \$1,990, respectively.

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 2. FUND BALANCE REPORTING (CONTINUED)

C. Committed Fund Balance

The committed fund balance classification refers to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority (the System's Board). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of formal action it employed to previously commit those amounts.

The System's Board commits fund balance by making motions or passing resolutions to adopt policy or to approve contracts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. There were no committed fund balances for the System as of June 30, 2021.

D. Assigned Fund Balance

The assigned fund balance classification refers to amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted or committed. Intent may be expressed by (a) the System's Board itself or (b) the finance committee, if applicable, to assign amounts to be used for specific purposes. The Capital Projects Fund showed an assigned balance of \$1,637,167, as of June 30, 2021.

E. Unassigned Fund Balance

The unassigned fund balance classification is the residual classification for amounts in the General Operating Funds for amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund showed an unassigned fund balance of \$5,017,638 as of June 30, 2021.

F. Expenditures of Fund Balance

Unless specifically identified, expenditures act to reduce restricted balances first, then committed balances, next assigned balances, and finally act to reduce unassigned balances. Expenditures for a specifically identified purpose will act to reduce the specific classification of fund balance that is identified.

NOTE 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2021, are classified in the accompanying financial statements as follows:

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 3. CASH AND CASH EQUIVALENTS (CONTINUED)

Governmental Funds

Cash and Cash Equivalents – Governmental Funds \$ 6,793,614

Proprietary Funds

Cash and Cash Equivalents – Proprietary Funds \$ 1,983,644

Fiduciary Funds

Cash and Cash Equivalents – Fiduciary Funds \$ 2,739,308

Cash and cash equivalents include \$3 of cash on hand.

A. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the System manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

B. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The credit risk of investments is addressed by the System's investment policy by limiting investments to instruments insured by the FDIC, issued by the U.S. Treasury, or the Illinois Funds portfolios overseen by the Treasurer of the State of Illinois. The System has \$7,001,784 deposited into accounts with the Illinois Funds. The investment pool has earned Standard and Poor's highest rating (AAA).

C. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. None of the System's cash or cash equivalents were considered to be uninsured or uncollateralized as of June 30, 2021.

The System's investment in the state investment pool is fully collateralized. The System maintains a separate investment account representing a proportionate share of the pool assets and its respective collateral; therefore no collateral is identified with each individual participant's account. The balance in the System's state investment pool as of June 30, 2021, was \$7,001,784. The System's investment in the state investment pool is reported at cost which estimate fair value.

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 4. RECEIVABLES

At June 30, 2021, receivables were as follows for the governmental funds and governmental activities:

	<u>Receivables</u>
Miscellaneous	\$ 22,571
Total	<u>\$ 22,571</u>

At June 30, 2021, receivables were as follows for the business-type activities and enterprise fund:

	<u>Receivables</u>
Federal Grant	\$ 38,904
Miscellaneous	23,640
Total	<u>\$ 62,544</u>

NOTE 5. CAPITAL ASSETS

The following is a summary of the changes in capital assets of the governmental activities for the year ended June 30, 2021:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Not Being Depreciated:				
Land	\$ 411,667	\$ 0	\$ 0	\$ 411,667
Subtotal	<u>\$ 411,667</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 411,667</u>
Other Capital Assets:				
Automobiles	\$ 1,071,870		\$ 114,446	\$ 957,424
Buildings and Improvements	2,389,470	\$ 170,779		2,560,249
Equipment and Other	2,003,721			2,003,721
Furniture and Fixtures	391,590			391,590
Computers	1,069,221			1,069,221
Subtotal	<u>\$ 6,925,872</u>	<u>\$ 170,779</u>	<u>\$ 114,446</u>	<u>\$ 6,982,205</u>
Accumulated Depreciation:				
Automobiles	\$ 701,828	\$ 125,930	\$ 97,884	\$ 729,874
Buildings and Improvements	1,653,946	188,260		1,842,206
Equipment and Other	2,000,477	1,853		2,002,330
Furniture and Fixtures	391,590			391,590
Computers	1,040,773	17,534		1,058,307
Subtotal	<u>\$ 5,788,614</u>	<u>\$ 333,577</u>	<u>\$ 97,884</u>	<u>\$ 6,024,307</u>
Net Other Capital Assets	<u>\$ 1,137,258</u>	<u>\$ (162,798)</u>	<u>\$ 16,562</u>	<u>\$ 957,898</u>
Net Capital Assets	<u>\$ 1,548,925</u>	<u>\$ (162,798)</u>	<u>\$ 16,562</u>	<u>\$ 1,369,565</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 5. CAPITAL ASSETS (CONTINUED)

Current year depreciation expense was charged to the following function:

General Library Services \$333,577

The following is a summary of the changes in capital assets of the business-type activities and enterprise fund for the year ended June 30, 2021:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Other Capital Assets:				
Equipment and Other	\$ 1,644,321	\$ 35,081		\$ 1,679,402
Computers	<u>1,342,341</u>	<u></u>	<u>\$ 0</u>	<u>1,342,341</u>
Subtotal	<u>\$ 2,986,662</u>	<u>\$ 35,081</u>	<u>\$ 0</u>	<u>\$ 3,021,743</u>
Accumulated Depreciation:				
Equipment and Other	\$ 1,623,650			\$ 1,623,650
Computers	<u>1,160,976</u>	<u>\$ 69,369</u>	<u>\$ 0</u>	<u>1,230,345</u>
Subtotal	<u>\$ 2,784,626</u>	<u>\$ 69,369</u>	<u>\$ 0</u>	<u>\$ 2,853,995</u>
Net Capital Assets	<u>\$ 202,036</u>	<u>\$ (34,288)</u>	<u>\$ 0</u>	<u>\$ 167,748</u>

Current year depreciation expense was charged to the following function:

Computer Development \$69,369

NOTE 6. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in the System's long-term liabilities of the governmental activities for the year ended June 30, 2021:

	<u>June 30, 2020</u>	<u>Current Year Change</u>	<u>June 30, 2021</u>	<u>Due Within One Year</u>
Accrued				
Compensated Absences	<u>\$ 175,464</u>	<u>\$ (4,766)</u>	<u>\$ 170,698</u>	<u>\$ 0</u>

The following is a summary of changes in the System's long-term liabilities of the business-type activities and enterprise fund for the year ended June 30, 2021:

	<u>June 30, 2020</u>	<u>Current Year Change</u>	<u>June 30, 2021</u>	<u>Due Within One Year</u>
Accrued				
Compensated Absences	<u>\$ 83,029</u>	<u>\$ (1,371)</u>	<u>\$ 81,658</u>	<u>\$ 0</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables at June 30, 2021, are summarized below:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental Funds:		
General Fund		\$ 570
OCLC Fund	\$ 45	
CMC Grant Fund	114	
Proprietary Fund:		
Computer Development Fund	411	
Total	<u>\$ 570</u>	<u>\$ 570</u>

The amounts due among the funds relate to working capital loans. The amounts due have no specific repayment date scheduled, however, repayment is expected within the next fiscal year.

Interfund transfers made during the year ended June 30, 2021, are summarized below:

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General Fund		\$ 300,000
Proprietary Fund:		
Computer Development Fund	\$ 300,000	
Total	<u>\$ 300,000</u>	<u>\$ 300,000</u>

Transfers are used to utilize unrestricted resources of the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 8. RISK OF LOSS

Significant losses are covered by commercial insurance for property, liability, and workers compensation. During the year ended June 30, 2021, there were no significant reductions in coverage. There have been no material settlement amounts that have exceeded insurance coverage or that have been uncovered by insurance in the past three years.

NOTE 9. LEASES

The System leases office space, a fleet of vehicles, and copiers under non-cancelable operating leases, expiring at various times between December 2022 and July 2025. Future minimum lease payments under these operating leases are as follows:

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 9. LEASES (CONTINUED)

Fiscal Year Ending June 30,	
2022	\$ 180,538
2023	150,153
2024	105,277
2025	13,113
2026	0
Total	<u>\$ 449,081</u>

Total rental expense for operating leases for the year ended June 30, 2021, was \$160,380.

NOTE 10. COMMITMENTS AND CONTINGENCIES

The System participates in a number of state and federally assisted programs. Under the terms of the programs, periodic audits may be required, and certain costs may be questioned as not being appropriate expenditures under the terms of these programs. Such audits could lead to reimbursements to grantor agencies. Based on prior experience, the System believes examinations would not result in any material disallowed costs for grant revenue recorded in these financial statements or from prior years.

NOTE 11. CONCENTRATION OF REVENUE

For the year ended June 30, 2021, 92 percent of the System's revenue was received through grants or allocations from the Illinois Secretary of State's Office through the Illinois State Library.

NOTE 12. RELATED PARTY TRANSACTIONS

The System's Board of Directors is comprised of representatives from its member organizations. Member organizations pay fees to the System for various services. For the year ended June 30, 2021, total charges for services revenue earned from these organizations was \$131,119.

NOTE 13. DONATED CAPITAL ASSETS

The Board approved five surplus vehicles to be donated to member libraries for the year ended June 30, 2021. The donation of the five vehicles complied with 75 ILCS 10/16 and resulted in a loss upon disposal of \$16,562 to the System.

NOTE 14. DEFINED BENEFIT PENSION PLAN

Plan Description. The System's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The System's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual net position, and required supplementary information. That report may be obtained on-line at www.imrf.org.

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 14. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits Provided. IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired *before* January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired *on or after* January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of:

1. 3% of the original pension amount, or
2. 1/2 of the increase in the Consumer Price Index of the original pension amount.

At December 31, 2020, the following employees were covered by the Plan:

Active Employees	43
Inactive employees or beneficiaries currently receiving benefits	222
Inactive employees entitled to but not yet receiving benefits	<u>70</u>
Total	<u>335</u>

Contributions. As set by statute, the System's Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual required contribution rate for calendar year 2020 was 7.84 percent. For the fiscal year ended June 30, 2021, the System contributed \$143,062 to the plan. The System also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability. The System's net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 14. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Cost Method	Entry Age Normal
Assets Valuation Method	Market Value of Assets
Price Inflation	2.25%
Salary Increases	2.85% to 13.75%
Investment Rate of Return	7.25%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2020 valuation pursuant to an experience study of the period 2017-2019.
Mortality	For non-disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 106%) and Female (adjusted 105%) tables, and future mortality improvements projected using scale MP-2020. For disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020. For active members, the Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.

Other Information:

Notes There were no benefit changes during the year.

A detailed description of the actuarial assumptions and methods can be found in the December 31, 2020 Illinois Municipal Retirement Fund annual actuarial valuation report.

The long term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 14. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Class	Target Allocation	Return 12/31/2020	Projected Returns/Risk	
			One Year Arithmetic	Ten Year Geometric
Equities	37.00%	22.07%	6.35%	5.00%
International Equities	18.00%	13.52%	7.65%	6.00%
Fixed Income	28.00%	7.87%	1.40%	1.30%
Real Estate	9.00%	4.20%	7.10%	6.20%
Alternatives	7.00%			
Private Equity		N/A	10.35%	6.95%
Hedge Funds		N/A	N/A	N/A
Commodities		N/A	3.90%	2.85%
Cash Equivalents	1.00%	2.56%	0.70%	0.70%
Total	100.00%			

Discount Rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at rates equal to the difference between the actuarially determined contribution rates and member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.25%, the municipal bond rate is 2.00%, and the resulting single discount rate is 7.25%.

Changes in System's Net Pension Liability. Changes in the System's net pension liability for the year ended December 31, 2020, were as follows:

	Total Pension Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance, December 31, 2019	\$ 33,812,664	\$ 35,922,561	\$ (2,109,897)
Changes for the year:			
Service Cost	228,448		228,448
Interest	2,370,681		2,370,681
Difference between expected and actual experience	(37,780)		(37,780)
Changes in assumptions	(204,627)		(204,627)
Contributions-employees		183,339	(183,339)
Contributions- employer		110,564	(110,564)
Net investment income		5,435,425	(5,435,425)
Benefit payments including refunds of employee Contributions	(2,455,681)	(2,455,681)	0
Other (Net Transfer)		(340,144)	340,144
Net Changes	\$ (98,959)	\$ 2,022,502	\$ (3,032,462)
Balance, December 31, 2020	\$ 33,713,705	\$ 38,856,004	\$ (5,142,299)

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 14. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability calculated using the discount rate of 7.25 percent, as well as, what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25 percent) or 1 percentage point higher (8.25 percent) than the current rate:

	<u>Discount Rate</u>	<u>Net Pension Liability (Asset)</u>
1% decrease	6.25%	\$ (2,032,259)
Current discount rate	7.25%	(5,142,299)
1% increase	8.25%	(7,734,358)

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued report.

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources. For the year ended June 30, 2021, the System recognized pension income of \$1,012,878. At June 30, 2021, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		\$ 3,842
Changes of assumptions		20,808
Net difference between projected and actual earnings on Plan investments	\$ 1,979,756	5,566,063
Contributions after Measurement Date	51,224	
Total	<u>\$ 2,030,980</u>	<u>\$ 5,590,713</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

	<u>Year ending December 31,</u>
2021	(1,132,400)
2022	(426,555)
2023	(1,416,431)
2024	(584,347)
2025	0
Thereafter	0
Total	<u>\$ (3,559,733)</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 15. EXCESS OF EXPENDITURES OVER BUDGET

There were no major funds that had excess expenditures over budget for the fiscal year ended June 30, 2021.

NOTE 16. OTHER POST EMPLOYMENT BENEFITS

The System currently offers two post-employment benefits to retirees. Those benefits are 1) continuation of participation in the System's health insurance plan as required by law for a period of 18 months (COBRA coverage) and 2) retiree continuation of health insurance coverage on the System's plan beyond the COBRA period. In relation to both of these benefits, the retiree pays 100% of their own premium cost. As of June 30, 2021, no retirees were covered under COBRA coverage and no retirees were currently participating in the health insurance coverage. There were two employees participating in the dental and vision plan, which the retirees were required to pay 100% of their own premium cost. Due to the limited number of participants in the plan, and the insignificance of the cost incurred by the System, no Other Post Employment Benefit's liability has been recorded as of June 30, 2021.

NOTE 17. PENSION PLAN

In July 2011, the System was created through a merger of four regional library systems in central and southern Illinois. One of the library systems that was a part of the merger, had established a 457(b) retirement plan for its employees. Since the merger, the plan is no longer active and available for new participants, but the plan still exists for the participants that were enrolled prior to the merger. No contributions, by either remaining participants or the System are made to the plan. The System is the Plan Administrator and acts in a fiduciary capacity for the plan; however, they have contracted with a third party to handle the administrative and custodial activities. The assets of the plan are held in trust, (custodial account or annuity contract) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof, for the exclusive benefit of the participants, holds the custodial account for the beneficiaries of this plan, and the assets may not be diverted to any other use. In accordance with the provisions of GASB Statement 32, plan balances and activities are reflected as a Fiduciary Fund within the System's financial statements.

NOTE 18. CONTINGENCIES

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. The resulting restrictions on travel and quarantines imposed have had a negative impact on the U.S. Economy and business activity globally, the full impact of which is not yet known and may result in an adverse impact on the System's assets and operating results.

NOTE 19. SUBSEQUENT EVENTS

Management has evaluated the effect of subsequent events on the financial statements through August 30, 2021, which is the date the financial statements were available to be issued.

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget		Actual	(Actual - Final Budget)
	Original	Final		
REVENUES:				
State Grants:				
Area and Per Capita - State Allotment	\$ 2,740,978	\$ 2,740,978	\$ 2,740,978	
Area and Per Capita - Federal Pass Through	659,722	659,722	659,722	
Fees for Services and Material	257,835	257,835	258,005	\$ 170
Reimbursements	5,650	5,650	17,113	11,463
Investment Income	37,970	37,970	2,075	(35,895)
Other Revenue	25,662	25,662	12,783	(12,879)
Total Revenues	<u>\$ 3,727,817</u>	<u>\$ 3,727,817</u>	<u>\$ 3,690,676</u>	<u>\$ (37,141)</u>
EXPENDITURES:				
Current:				
General Library Services:				
Personnel Service	\$ 2,568,371	\$ 2,568,371	\$ 2,306,028	\$ (262,343)
Contractual Services	393,299	393,299	200,046	(193,253)
Supplies and Materials	771,480	871,480	731,075	(140,405)
Member Library Reimbursement Expense			3,203	3,203
Total Expenditures	<u>\$ 3,733,150</u>	<u>\$ 3,833,150</u>	<u>\$ 3,240,352</u>	<u>\$ (592,798)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (5,333)</u>	<u>\$ (105,333)</u>	<u>\$ 450,324</u>	<u>\$ 555,657</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	\$ (300,000)	\$ (300,000)	\$ (300,000)	\$ 0
Total Other Financing Sources (Uses)	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>	<u>\$ 0</u>
NET CHANGE IN FUND BALANCE	<u>\$ (305,333)</u>	<u>\$ (405,333)</u>	<u>\$ 150,324</u>	<u>\$ 555,657</u>
FUND BALANCE - BEGINNING OF YEAR			<u>5,009,144</u>	
FUND BALANCE - END OF YEAR			<u>\$ 5,159,468</u>	

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CMC GRANT FUND - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget</u>		<u>Actual</u>	<u>Variance (Actual - Final Budget)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
State Grants:				
Illinois State Library	\$ 387,798	\$ 387,798	\$ 387,798	\$ 0
Total Revenues	<u>\$ 387,798</u>	<u>\$ 387,798</u>	<u>\$ 387,798</u>	<u>\$ 0</u>
EXPENDITURES:				
Current:				
General Library Services:				
Personnel Service	\$ 317,438	\$ 317,438	\$ 320,209	\$ 2,771
Contractual Services	65,420	46,820	47,775	955
Supplies and Materials	4,940	23,540	20,124	(3,416)
Total Expenditures	<u>\$ 387,798</u>	<u>\$ 387,798</u>	<u>\$ 388,108</u>	<u>\$ 310</u>
NET CHANGE IN FUND BALANCE	<u>\$ 0</u>	<u>\$ 0</u>	\$ (310)	<u>\$ (310)</u>
FUND BALANCE BEGINNING OF YEAR			<u>11,096</u>	
FUND BALANCE - END OF YEAR			<u>\$ 10,786</u>	

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND - CAPITAL PROJECT FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget		Actual	Variance (Actual - Final Budget)
	Original	Final		
REVENUES:				
Investment Income	\$ 15,042	\$ 15,042	\$ 5,342	\$ (9,700)
Other Revenues		25,500	25,500	
Total Revenues	<u>\$ 15,042</u>	<u>\$ 40,542</u>	<u>\$ 30,842</u>	<u>\$ (9,700)</u>
EXPENDITURES:				
Capital Outlay	\$ 295,000	\$ 346,000	\$ 170,779	\$ (175,221)
Total Expenditures	<u>\$ 295,000</u>	<u>\$ 346,000</u>	<u>\$ 170,779</u>	<u>\$ (175,221)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (279,958)</u>	<u>\$ (305,458)</u>	\$ (139,937)	<u>\$ (165,521)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>1,802,604</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,662,667</u>	

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021

Budgets and Budgetary Basis of Accounting:

A. Budgetary Process

1. In accordance with the Illinois Library System Act, Administrative Rules, prior to each May 1, the System's Executive Director submits to the Board of Directors a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and revenues provided to finance them.
2. The proposed budget is discussed at regular meetings of the Board of Directors.
3. Prior to June 1, the Board of Directors formally adopts the budget.
4. The System's Executive Director causes monthly/quarterly reports to be presented to the Board of Directors explaining significant variances from the approved budget.
5. Budgets are adopted on a basis consistent with generally accepted accounting principles.
6. The System budgets for all funds through the budget process or through budgets for individual grant awards.
7. The organizational budget lapses at fiscal year end and no revisions may be made after year end.

B. Legal Level of Budgetary Control

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed the budget) is the fund level. The budgetary expenditure comparisons in the basic financial statements are from approved organizational budgets for all funds except for the OCLC Grant, which is derived from the grant budget.

C. Amendments to the Budget

The System's Executive Director is authorized to transfer budgeted amounts within the departments in any fund; however, any revisions that alter the total expenditures of the System must be approved by the Board of Directors.

D. Budgetary Basis of Accounting

Budgets are adopted on essentially the same basis of accounting as the fund financial statements.

E. Encumbrances

Encumbrance accounting is not used by the System.

F. Expenditures Over Budget

There were no major funds that had excess expenditures over budget or total grant awarded for the fiscal year ended June 30, 2021.

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

LAST 10 CALENDAR YEARS (schedule to be built prospectively from 2014)

Calendar year ending December 31,	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total Pension Liability										
Service Cost	\$ 228,448	\$ 224,615	\$ 179,185	\$ 186,886	\$ 240,821	\$ 208,201	\$ 235,054			
Interest on the Total Pension Liability	2,370,681	2,333,691	2,318,785	2,331,743	2,314,570	2,234,972	2,109,609			
Benefit Changes	0	0	0	0	0	0	0			
Difference between Expected and Actual Experience	(37,780)	368,851	337,494	504,869	(214,774)	616,002	139,024			
Assumption Changes	(204,627)	0	736,512	(997,797)	0	0	1,138,977			
Benefit Payments and Refunds	(2,455,681)	(2,382,045)	(2,263,936)	(2,125,298)	(2,044,060)	(1,984,300)	(1,891,157)			
Net Change in Total Pension Liability	(98,959)	545,112	1,308,040	(99,597)	296,557	1,074,875	1,731,507			
Total Pension Liability - Beginning	33,812,664	33,267,552	31,959,512	32,059,109	31,762,552	30,687,677	28,956,169			
Total Pension Liability - Ending (a)	\$ 33,713,705	\$ 33,812,664	\$ 33,267,552	\$ 31,959,512	\$ 32,059,109	\$ 31,762,552	\$ 30,687,676			
Plan Fiduciary Net Position										
Employer Contributions	\$ 183,339	\$ 40,470	\$ 177,666	\$ 202,868	\$ 273,509	\$ 325,404	442,904			
Employee Contributions	110,564	108,703	93,727	84,381	94,367	132,256	91,501			
Pension Plan Net Investment Income	5,435,425	6,374,681	(2,365,486)	5,935,957	2,104,214	152,703	1,819,805			
Benefit Payments and Refunds	(2,455,681)	(2,382,045)	(2,263,936)	(2,125,298)	(2,044,060)	(1,984,300)	(1,891,157)			
Other	(340,144)	245,524	889,733	(663,474)	506,944	704,141	329,556			
Net Change in Plan Fiduciary Net Position	2,933,503	4,387,333	(3,468,296)	3,434,434	934,974	(669,796)	792,609			
Plan Fiduciary Net Position - Beginning	35,922,501	31,535,168	35,003,464	31,569,030	30,634,056	31,303,852	30,511,243			
Plan Fiduciary Net Position - Ending (b)	\$ 38,856,004	\$ 35,922,501	\$ 31,535,168	\$ 35,003,464	\$ 31,569,030	\$ 30,634,056	\$ 31,303,852			
Net Pension Liability/(Asset) -Ending (a)-(b)	(5,142,299)	(2,109,837)	1,732,384	(3,043,952)	490,079	1,128,496	(616,176)			
Plan Fiduciary Net Position as a Percentage										
of Total Pension Liability	115.25%	106.24%	94.79%	109.52%	98.47%	96.45%	102.01%			
Covered Valuation Payroll	\$ 2,338,492	\$ 2,269,397	\$ 2,082,826	\$ 1,800,090	\$ 2,018,517	\$ 2,245,715	\$ 1,892,045			
Net Pension Liability as a Percentage										
of Covered Valuation Payroll	(219.90%)	(92.97%)	83.17%	(169.10%)	24.28%	50.25%	(32.57)%			

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS

LAST 10 CALENDAR YEARS

<u>Calendar Year</u> <u>Ending</u> <u>December 31,</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Valuation</u> <u>Payroll</u>	<u>Actual Contribution</u> <u>as a % of</u> <u>Covered</u> <u>Valuation Payroll</u>
2014	\$ 396,383	\$ 442,904	\$ (46,521)	\$ 1,892,045	23.41%
2015	325,404	325,404	0	2,245,715	14.49%
2016	273,509	273,509	0	2,018,517	13.55%
2017	188,289	202,868	(14,579)	1,800,090	11.27%
2018	177,665	177,666	(1)	2,082,826	8.53%
2019	18,609	40,470	(21,861)	2,269,397	1.78%
2020	183,338 *	183,339	(1)	2,338,492	7.84%

*Estimated based on contribution rate of 7.84% and covered valuation payroll of \$2,338,492. This number should be verified by the auditor.

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE SCHEDULE OF CONTRIBUTIONS
SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS
USED IN THE CALCULATION OF THE 2020 CONTRIBUTION RATE

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the calendar year in which contributions are reported.

Methods and Assumptions Used to Determine 2020 Contribution Rates:

Actuarial Cost Method	Aggregate Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Non-Taxing bodies: 10-year rolling period. Taxing bodies (Regular, SLEP and ECO groups): 23-year closed period Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 18 years for most employers (three employers were financed over 27 years and four others were financed over 28 years).
Asset Valuation Method	5-Year smoothed market; 20% corridor
Wage Growth	3.25%
Price Inflation	2.50%
Salary Increases	3.35% to 14.25% including inflation
Investment Rate of Return	7.25%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2014-2016.
Mortality	For non-disabled retirees, IMRF specific mortality rates were used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Healthy Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, IMRF specific mortality rates were used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for non-disabled lives. For active members, IMRF specific mortality rates were used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information:

Notes There were no benefit changes during the year.

*Based on Valuation Assumptions used in the December 31, 2018 actuarial valuation

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget		
	Original	Final	Actual
REVENUES:			
State Grants:			
Area and Per Capita - State Allotment	\$ 2,740,978	\$ 2,740,978	\$ 2,740,978
Area and Per Capita - Federal Pass Through	659,722	659,722	659,722
Fees for Services and Material	257,835	257,835	258,005
Reimbursements	5,650	5,650	17,113
Investment Income	37,970	37,970	2,075
Other Revenue	25,662	25,662	12,783
Total Revenues	<u>\$ 3,727,817</u>	<u>\$ 3,727,817</u>	<u>\$ 3,690,676</u>
EXPENDITURES:			
General Library Services:			
Personnel			
Salaries and Wages	\$ 2,019,532	\$ 2,019,532	\$ 1,873,091
Payroll Taxes and Fringe Benefits	527,639	527,639	419,628
Recruiting	5,000	5,000	7,790
Training and Professional Development	16,200	16,200	5,519
Contractual Services			
Contractual Agreements	144,282	144,282	74,656
Travel, Meetings, and Continuing Education for Staff and Board	47,930	47,930	383
Professional Services	30,720	30,720	40,868
Liability Insurance	16,468	16,468	16,019
Telephone and Telecommunications	26,227	26,227	22,416
Conferences and Continuing Education Meetings	63,735	63,735	18,873
Consulting	15,000	15,000	12,084
Professional Association Membership Dues	6,829	6,829	5,665
Public Relations	42,108	42,108	9,082
Supplies and Materials			
Computer Supplies	57,735	57,735	32,860
General Office Supplies and Equipment	21,660	121,660	56,463
Postage	1,200	1,200	223
Delivery Supplies	17,575	17,575	22,316
Buildings and Grounds	261,870	261,870	231,359
Vehicle Expenses	402,379	402,379	331,422
Miscellaneous	2,701	2,701	51,930
Equipment Rental, Repair, and Maintenance	6,360	6,360	4,502
Member Library Reimbursement Expense			3,203
Total Expenditures	<u>\$ 3,733,150</u>	<u>\$ 3,833,150</u>	<u>\$ 3,240,352</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (5,333)</u>	<u>\$ (105,333)</u>	<u>\$ 450,324</u>
OTHER FINANCING SOURCES (USES):			
Transfers Out	\$ (300,000)	\$ (300,000)	\$ (300,000)
Total Other Financing Sources (Uses)	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (305,333)</u>	<u>\$ (405,333)</u>	<u>\$ 150,324</u>
FUND BALANCE - BEGINNING OF YEAR			5,009,144
FUND BALANCE - END OF YEAR			<u>\$ 5,159,468</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CMC GRANT FUND - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget		
	Original	Final	Actual
REVENUES:			
State Grants:			
Illinois State Library	\$ 387,798	\$ 387,798	\$ 387,798
Total Revenues	<u>\$ 387,798</u>	<u>\$ 387,798</u>	<u>\$ 387,798</u>
EXPENDITURES:			
General Library Services:			
Personnel	\$ 317,438	\$ 317,438	\$ 320,209
Contractual Services			
Contractual Agreements	39,379	39,379	35,266
Travel, Meetings, and Continuing Education for Staff and Board	20,349	3,649	4,791
Professional Services			3,750
Professional Association Membership Dues	897	897	763
Telephone and Telecommunications	2,806	2,806	2,767
Conferences and Continuing Education Meetings			
Public Relations	1,989	89	438
Supplies and Materials			
Computer Supplies	2,360	2,360	3,306
Supplies, Postage and Printing	100	18,700	15,401
Vehicle Expenses	320	320	
Equipment Rental, Repair, and Maintenance	2,160	2,160	1,417
Total Expenditures	<u>\$ 387,798</u>	<u>\$ 387,798</u>	<u>\$ 388,108</u>
NET CHANGE IN FUND BALANCE	<u>\$ 0</u>	<u>\$ 0</u>	\$ (310)
FUND BALANCE - BEGINNING OF YEAR			<u>11,096</u>
FUND BALANCE - END OF YEAR			<u>\$ 10,786</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
OCLC GRANT FUND - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget		Actual
	Original	Final	
REVENUES:			
State Grants:			
Illinois State Library	\$ 158,645	\$ 158,645	\$ 158,645
Total Revenues	\$ 158,645	\$ 158,645	\$ 158,645
EXPENDITURES:			
General Library Services:			
Personnel	\$ 120,779	\$ 120,779	\$ 120,505
Contractual Services			
Contractual Agreements	17,518	17,518	14,436
Professional Services	3,600	3,600	7,161
Telephone & Telecommunication	3,558	3,558	2,840
Supplies and Materials			
Computer Supplies			6,456
Equipment Rental, Repair, and Maintenance	4,440	4,440	2,937
Supplies, Postage and Printing	8,750	8,750	699
Total Expenditures	\$ 158,645	\$ 158,645	\$ 155,034
NET CHANGE IN FUND BALANCE	\$ 0	\$ 0	\$ 3,611
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR			(643)
FUND BALANCE - END OF YEAR			\$ 2,968

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget		Actual
	Original	Final	
REVENUES:			
Investment Income	\$ 15,042	\$ 15,042	\$ 5,342
Other Grants		25,500	25,500
Total Revenues	<u>\$ 15,042</u>	<u>\$ 40,542</u>	<u>\$ 30,842</u>
EXPENDITURES:			
Capital Outlay	\$ 295,000	\$ 346,000	\$ 170,779
Total Expenditures	<u>\$ 295,000</u>	<u>\$ 346,000</u>	<u>\$ 170,779</u>
NET CHANGE IN FUND BALANCE	<u>\$ (279,958)</u>	<u>\$ (305,458)</u>	\$ (139,937)
FUND BALANCE - BEGINNING OF YEAR			<u>1,802,604</u>
FUND BALANCE - END OF YEAR			<u>\$ 1,662,667</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
REPORT OF FEDERAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2021

ILLINOIS HEARTLAND LIBRARY SYSTEM

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ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON

August 30, 2021

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Illinois Heartland Library System

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Illinois Heartland Library System, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Illinois Heartland Library System's basic financial statements, and have issued our report thereon dated August 30, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Illinois Heartland Library System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Illinois Heartland Library System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Illinois Heartland Library System'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-1 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Illinois Heartland Library System'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*.

Illinois Heartland Library System's Response to Findings

Illinois Heartland Library System's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Illinois Heartland Library System's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 System'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 System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Alton, Illinois



ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON
August 30, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Illinois Heartland Library System

Report on Compliance for Each Major Federal Program

We have audited Illinois Heartland Library System's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Illinois Heartland Library System's major federal programs for the year ended June 30, 2021. Illinois Heartland Library System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Illinois Heartland Library System's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Illinois Heartland Library System's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Illinois Heartland Library System's compliance.

Opinion on Each Major Federal Program

In our opinion, Illinois Heartland Library System complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Illinois Heartland Library System is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered Illinois Heartland Library System's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Illinois Heartland Library System's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Illinois Heartland Library System, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Illinois Heartland Library System's basic financial statements. We issued our report thereon dated August 30, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Alton, Illinois

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor Agency/Program Pass-Through Grantor Title/Grant Name	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
National Endowment for the Humanities			
Institute of Museum and Library Services Discretionary Awards			
Grants to States Program			
<i>Passed through the Illinois State Library</i>			
Operating Grant	45.310	N/A	\$ 659,722
COVID-19 Cares Act Funded E-Book Grant	45.310	N/A	<u>125,000</u>
Total Expenditures of Federal Awards			<u><u>\$ 784,722</u></u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Illinois Heartland Library System under programs of the federal government for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Illinois Heartland Library System, it is not intended to and does not present the financial position, changes in net position, or cash flows of Illinois Heartland Library System.

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting. Such expenditures are recognized following the cost principles contained OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Federal awards passed through other governmental agencies are included on the Schedule.

Noncash Assistance, Federal Insurance and Loans/Loan Guarantees

Illinois Heartland Library System did not receive any noncash assistance, federal guaranteed loans or federal insurance for any of its programs for the year ended June 30, 2021.

Subrecipient Monitoring

Illinois Heartland Library System did not pass through any of its federal funds to subrecipients during the year ended June 30, 2021.

Indirect Cost Rate

Illinois Heartland Library System elected to use the 10% de minimus cost rate as allowed under the Uniform Guidance.

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

A. SUMMARY OF AUDITOR'S RESULT

Financial Statements

- 1) The auditor's report expresses an unmodified opinion on the basic financial statements of Illinois Heartland Library System.
- 2) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements of Illinois Heartland Library System. This significant deficiency is not considered to be a material weakness.
- 3) No instances of noncompliance material to the basic financial statements of Illinois Heartland Library System which would be required to be reported in accordance with *Governmental Auditing Standards* was disclosed during the audit.
- 4) The auditor's report on compliance for the major federal award program for Illinois Heartland Library System expresses an unmodified opinion on all major federal programs.
- 5) The programs tested as a major program:

National Endowment for the Humanities Library Services Discretionary Awards – CFDA 45.310
- 6) The threshold used for distinguishing between Types A and B programs was \$750,000.
- 7) Illinois Heartland Library System does not qualify as a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 2021-1 – Internal Control over Financial Statements

Statement of Condition – The System does not prepare their own set of annual financial statements in accordance with accounting principles generally accepted in the United States of America.

Criteria – An Organization is considered to have a deficiency when it does not have the personnel or staff with sufficient training or expertise to prepare the System's financial statements and relies on the auditor to assist in the preparation of the annual financial statements.

Effect of Condition – Management may not be able to reasonably determine that a material misstatement exists nor allow them to prevent, detect, nor correct one on a timely basis.

Cause of Condition – The System does not have personnel or staff with sufficient training or expertise to ensure the System's annual financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Recommendation – The System should consider the costs and benefits of hiring additional expertise or training existing accounting staff to ensure the System's annual financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Views of Responsible Officials and Planned Corrective Actions – We believe our accounting staff maintains adequate books and records of the System's transactions. Additionally, we do not believe it is cost beneficial to hire additional accounting expertise to ensure the System's annual financial statements are prepared in accordance with accounting standards discussed above.

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 2020-1 – Internal Control over Financial Statements

Statement of Condition – The System does not prepare their own set of annual financial statements in accordance with accounting principles generally accepted in the United States of America.

Criteria – An Organization is considered to have a deficiency when it does not have the personnel or staff with sufficient training or expertise to prepare the System's financial statements and relies on the auditor to assist in the preparation of the annual financial statements.

Effect of Condition – Management may not be able to reasonably determine that a material misstatement exists nor allow them to prevent, detect, nor correct one on a timely basis.

Cause of Condition – The System does not have personnel or staff with sufficient training or expertise to ensure the System's annual financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Recommendation – The System should consider the costs and benefits of hiring additional expertise or training existing accounting staff to ensure the System's annual financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Views of Responsible Officials and Planned Corrective Actions – We believe our accounting staff maintains adequate books and records of the System's transactions. Additionally, we do not believe it is cost beneficial to hire additional accounting expertise to ensure the System's annual financial statements are prepared in accordance with accounting standards discussed above.



Illinois Heartland Library System

August 30, 2021

CORRECTIVE ACTION PLAN

Illinois State Library

The Illinois Heartland Library System respectfully submits the following corrective action plan for the year ended June 30, 2021.

Name and address of independent public accounting firm:

Scheffel Boyle
322 State Street
Alton, IL 62002

Audit Period: For the Year Ended June 30, 2021

The findings from the August 30, 2021, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS - FINANCIAL STATEMENT AUDIT

Significant Deficiency

2021-1

Condition: Illinois Heartland Library System relies on its auditors for the preparation of the System's financial statements, and related disclosures in accordance with generally accepted accounting principles.

Recommendation: The System should consider the costs and benefits of hiring additional expertise or training accounting staff to ensure the System's financial statements and schedule of expenditures of federal awards are prepared in accordance with generally accepted accounting principles.

View of Responsible Officials and Planned Corrective Action: Management has considered the recommendation but feels that the accounting staff maintains adequate books and records of the System's transactions. Additionally, management does not believe that it is cost beneficial to hire additional accounting expertise to ensure the System's annual financial statements and schedule of expenditures of federal awards are prepared in accordance with generally accepted accounting principles.

IMAGINING TOMORROW ~ DELIVERING POSSIBILITIES TODAY!

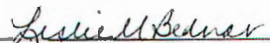
1840 Innovation Drive, Carbondale, IL 62903 • 618.985.3711
1704 West Interstate Drive, Champaign, IL 61822 • 217.352.0047
6725 Goshen Road, Edwardsville, IL 62025 • 618.656.3216
www.illinoisheartland.org • 618.656.9401 Fax

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

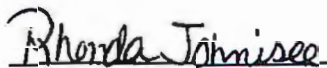
None

If the Illinois State Library has any questions regarding this plan, contact Leslie Bednar at 618-656-3216.

Sincerely yours,



Leslie Bednar, Executive Director



Rhonda Johnisee, Finance Director

ILLINOIS HEARTLAND LIBRARY SYSTEM

AGREED UPON PROCEDURES

JUNE 30, 2021



ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON

August 16, 2021

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Illinois Heartland Library System
6725 Goshen Road
Edwardsville, Illinois 62025

We have performed the procedures enumerated in the attached pages, which were agreed to by the Board of Directors of Illinois Heartland Library System, for the year ended June 30, 2021. Illinois Heartland Library System's management is responsible for the System's Online Computer Library Center (OCLC) fiduciary activity and accounting records.

Illinois Heartland Library System has agreed to and acknowledged that the procedures performed are appropriate. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

We were Engaged by Illinois Heartland Library system to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination, or review, the objective of which would be the expression of an opinion on Illinois Heartland Library System's Online Computer Library Center (OCLC) fiduciary activity and accounting records. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Illinois Heartland Library Systems and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Board of Directors and management of Illinois Heartland Library System, and is not intended to be and should not be used by anyone other than these specified parties.

Alton, Illinois

AN INDEPENDENT MEMBER OF
IBDO
ALLIANCE USA

ILLINOIS HEARTLAND LIBRARY SYSTEM
AGREED-UPON PROCEDURES

Our engagement consisted of performing the following agreed-upon procedures:

1. Examine bank reconciliations and bank statements for the year ended June 30, 2021 and trace the book balances to the financial statements and/or trial balance.

No exceptions were found as a result of performing this procedure.

2. Confirm the June 30, 2021 bank balances with the financial institutions.

No exceptions were found as a result of performing this procedure.

3. Select a sample of disbursements which comprises at least 25% of the total dollar value of disbursements for the year ended June 30, 2021, and examine the cancelled check and invoice or other supporting documentation for each such disbursement selected. Verify that each disbursement is a valid disbursement of OCLC activity.

No exceptions were found as a result of performing this procedure.

4. Select a sample of receipts, which comprises at least 25% of the total dollar value of receipts for the year ended June 30, 2021, and trace each receipt to a deposit slip and corresponding bank statement and examine any supporting documentation accompanying the receipt (e.g. letter, check stub, copy of check, etc.) noting agreement.

No exceptions were found as a result of performing this procedure.

5. Trace the receipts and disbursements tested to the ledger.

No exceptions were found as a result of performing this procedure.