

ILLINOIS HEARTLAND LIBRARY SYSTEM
AUDIT REPORT PRESENTATION
JUNE 30, 2020

Audit
Report
Page
Reference

- 1-2 Independent Auditor's Report - our opinion is unmodified (frequently referred to as a clean opinion), which indicates the financial statements are presented fairly in all material respects.

Note: No Single Audit required in the current year, as IHLS did not expend \$750,000 of Federal Revenues. (A separate Single Audit was required in the prior year.)

- 13-14 Government - Wide Financial Statements (GASB 34) -

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net Position, Beginning of Year	\$ 10,253,923	\$ 10,510,272	\$ 9,789,634
Change in Net Position	353,948	(256,349)	720,638
Net Position, End of Year	<u>\$ 10,607,871</u>	<u>\$ 10,253,923</u>	<u>\$ 10,510,272</u>

- 15 Balance Sheet - Governmental Funds

<u>Cash Balances</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Change (2020 vs 2019)</u>
General Fund	\$ 2,752,508	\$ 3,644,632	\$ 4,143,400	\$ (892,124)
CMC Grant Fund	24,313	19,296	24,652	5,017
Capital Projects Fund	1,802,604	1,412,743	988,949	389,861
Non-Major Funds	93	7,788	4,831	(7,695)

Note: The General Fund showed a \$2.2 million receivable at 6/30/20 related to the Per Capita Grant

- 17 Statement of Revenues, Expenditures and Changes in Fund Balance

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Change (2020 vs 2019)</u>
<u>General Fund</u>				
Receipts	\$ 3,747,575	\$ 3,771,316	\$ 3,706,867	\$ (23,741)
Disbursements	(2,922,245)	(2,889,589)	(2,946,495)	(32,656)
Gain on Disposal of F/A		17,925		(17,925)
Transfer Out	(884,627)	(843,522)	(231,071)	(41,105)
Net Change In				
Fund Balance	<u>\$ (59,297)</u>	<u>\$ 56,130</u>	<u>\$ 529,301</u>	<u>\$ (115,427)</u>

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Change (2020 vs 2019)</u>
17 <u>CMC Grant Fund</u>				
Receipts	\$ 366,749	\$ 311,978	\$ 293,028	\$ 54,771
Disbursements	(369,493)	(311,795)	(293,333)	(57,698)
Transfer Out				
Net Change In				
Fund Balance	\$ (2,744)	\$ 183	\$ (305)	\$ (2,927)
17 <u>Capital Projects Fund</u>				
Receipts	\$ 22,074	\$ 36,729	\$ 5,540	\$ (14,655)
Disbursements	(211,640)	(175,232)		(36,408)
Gain on Disposal of F/A		12,775		
Transfer In	585,427	543,522		41,905
Net Change In				
Fund Balance	\$ 395,861	\$ 417,794	\$ 5,540	\$ (9,158)
17 <u>Non-Major Funds</u>				
Receipts	\$ 178,504	\$ 178,382	\$ 143,707	\$ 122
Disbursements	(185,041)	(171,158)	(189,959)	(13,883)
Transfer In (Out)			(18,928)	
Net Change In				
Fund Balance	\$ (6,537)	\$ 7,224	\$ (65,180)	\$ (13,761)
<u>Changes in Fund Balances</u>				
17 <u>Major Funds</u>				
Fund Balances:				
General Fund	\$ 5,009,144	\$ 5,068,441	\$ 5,012,311	\$ (59,297)
CMC Grant	11,096	13,840	13,657	(2,744)
Capital Projects Fund	1,802,604	1,406,743	988,949	395,861
Total	\$ 6,822,844	\$ 6,489,024	\$ 6,014,917	\$ 333,820
17 <u>Other Governmental Funds</u>				
Fund Balance:				
OCLC Grant	\$ (643)	\$ 5,894	\$ (1,330)	\$ (6,537)
Marc of Quality	0	0	0	0
Total	\$ (643)	\$ 5,894	\$ (1,330)	\$ (6,537)

20 Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Change (2020 vs 2019)</u>
<u>SHARE</u>				
Operating Revenues	\$ 1,530,374	\$ 1,499,917	\$ 1,576,669	\$ 30,457
Operating Expenses	(1,672,598)	(1,902,213)	(1,717,921)	229,615
Other	13,482	17,903	12,205	(4,421)
Transfers In	300,000	300,000	250,000	
Net Income (Loss)	<u>\$ 171,258</u>	<u>\$ (84,393)</u>	<u>\$ 120,953</u>	<u>\$ 255,651</u>

41-43 Budget vs Actual - Major Funds

	<u>Budgeted Revenues</u>	<u>Actual Revenues</u>	<u>Favorable (Unfavorable)</u>
General Fund	\$ 3,742,302	\$ 3,747,575	\$ 5,273
CMC Grant Fund	376,321	366,749	\$ (9,572)
Capital Projects Fund	15,845	22,074	6,229
	<u>Budgeted Expenses</u>	<u>Actual Expenses</u>	<u>Favorable (Unfavorable)</u>
General Fund	\$ 3,318,641	\$ 2,922,245	\$ 396,396
CMC Grant Fund	376,321	369,493	6,828
Capital Projects Fund	289,637	211,640	77,997

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ILLINOIS HEARTLAND LIBRARY SYSTEM

REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2020

DRAFT

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ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020 (FY2020). 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, FY2019, and FY2020, IHLS received approval of funding for \$3,400,700 an amount equal to actual funding level received in FY2015.

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 FY2020, 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, 2020

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 13 contains the *Statement of Net Position* which presents information on all IHLS's assets and liabilities as of June 30, 2020. The *Statement of Activities*, found on page 14, reflects the change in Net Position and FY2020 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 FY2020 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 FY2020, IHLS had three *Special Revenue Funds* – *Cataloging Maintenance Center (CMC)*, *Online Computer Library Center (OCLC) Billing*, and *The Marc of Quality (TMQ)*.

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 other *Special Revenue Grants (OCLC & TMQ)* are 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, 2020

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, 2020, *SHARE* currently represents 344 agencies (utilizing 477 library buildings). *SHARE* membership fluctuates based on factors such as: members' ability to afford membership fees and the consolidation of school and academic libraries. The 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 19-21 of this report. The fees collected for this service support out-of-pocket expenditures (including direct staff and their benefits).

Fiduciary Fund

Based on the audited financial statements, IHLS has four *Fiduciary Funds*, *The Online Computer Library Center, Inc. (OCLC) Fund*, *Lewis and Clark Library System 457 Plan*, *SWAYS (Southwest Advocates For Youth Services)*, and *Roadside Training*. 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. IHLS also acts as the fiduciary for the Roadside Training program. Funds are derived from training programs for member libraries and the monies are held for participants in those activities.

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 23-40 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 48-54 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 \$10,607,871 at the close FY2020.

The largest portion of the IHLS's Net Position (59%) 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, 2020

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 6.9	\$ 6.6	\$ 1.9	\$ 1.7	\$ 8.8	\$ 8.3
Noncurrent Assets	3.1	1.6	0.8	0.2	3.9	1.8
Total Assets	\$ 10.0	\$ 8.2	\$ 2.7	\$ 1.9	\$ 12.7	\$ 10.1
Deferred Outflows of Resources	\$ 2.2	\$ 3.2	\$ 0.9	\$ 1.3	\$ 3.1	\$ 4.5
Current and Other Liabilities	\$ 0.1	\$ 0.1	\$ 0	\$ 0	\$ 0.1	\$ 0.1
Long-Term Liabilities	0.2	1.3	0.1	0.7	0.3	2.0
Total Liabilities	\$ 0.3	\$ 1.4	\$ 0.1	\$ 0.7	\$ 0.4	\$ 2.1
Deferred Inflows of Resources	\$ 3.3	\$ 1.6	\$ 1.4	\$ 0.6	\$ 4.7	\$ 2.2
Net Position						
Net Investment in Capital Assets	\$ 1.6	\$ 1.6	\$ 0.2	\$ 0.3	\$ 1.8	\$ 1.9
Restricted	0	0	0	0	0	0
Unrestricted	7.0	6.8	1.9	1.6	8.9	8.4
Total Net Position	\$ 8.6	\$ 8.4	\$ 2.1	\$ 1.9	\$ 10.7	\$ 10.3

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, 2020. Restricted Assets are the remaining fund balances for the CMC and OCLC Grant 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, 2020 and 2019:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues						
Charges for Services	\$ 0.3	\$ 0.2	\$ 1.5	\$ 1.5	\$ 1.8	\$ 1.7
Operating Grants and Contr.	3.9	3.9	0	0	3.9	3.9
General Revenues	0.1	0.2	0	0	0.1	0.2
Internal Activity - Transfers	(0.3)	(0.3)	0.3	0.3	0	0
Total Revenues	\$ 4.0	\$ 4.0	\$ 1.8	\$ 1.8	\$ 5.8	\$ 5.8
Expenses:						
General Library Services	\$ 3.8	\$ 4.1			\$ 3.8	\$ 4.1
Computer Development			\$ 1.6	\$ 1.9	1.6	1.9
Total Expenses	\$ 3.8	\$ 4.1	\$ 1.6	\$ 1.9	\$ 5.4	\$ 6.0
Change in Net Position	\$ 0.2	\$ (0.1)	\$ 0.2	\$ (0.1)	\$ 0.4	\$ (0.2)
Beginning Net Position	8.4	8.5	1.9	2.0	10.3	10.5
Ending Net Position	\$ 8.6	\$ 8.4	\$ 2.1	\$ 1.9	\$ 10.7	\$ 10.3

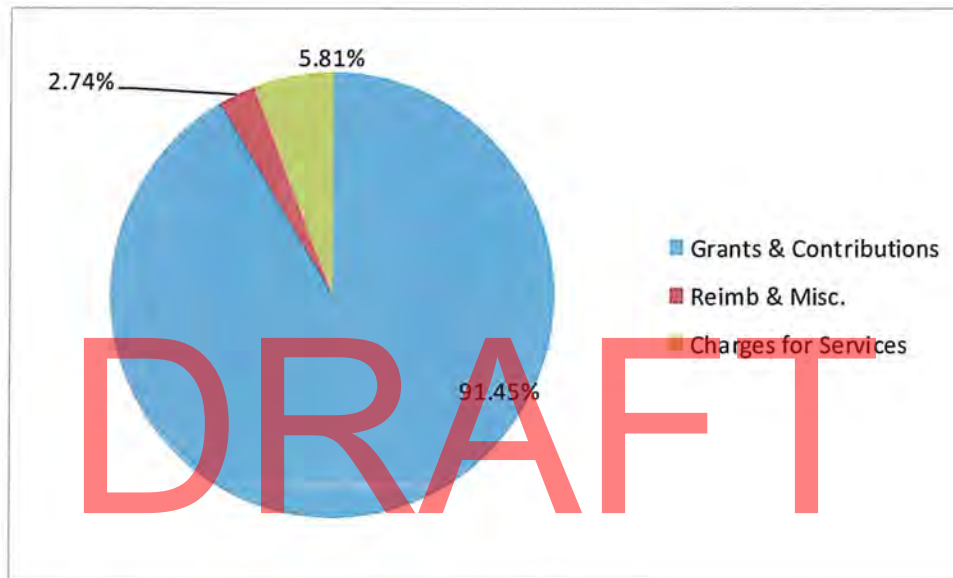
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This Statement reflects a change in Net Position of \$353,948. This is a 238% increase from the prior year. This increase in the current year is attributable to the Actuarial Valuation performed in the System's participation in the Illinois Municipal Retirement Fund. The System recognized current year pension expense of \$128,827, which is an 81% decrease from 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 17), *Charges for Services* continued to represent most of the *Operating Revenues* (approximately 85%).

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, 2020, *IHLS's Governmental Funds* reported a combined ending fund balance of \$6,822,201.

IHLS developed a budget based on the priority areas identified by the ISL and the *FY2020 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. FY2020 budget represents normal funding levels.

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
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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	251,567	251,567	250,851
Reimbursements	24,664	24,664	23,109
Investment income	44,641	44,641	42,785
Miscellaneous	20,730	20,730	30,130
Total Revenues	\$ 3,742,302	\$ 3,742,302	\$ 3,747,575
Expenditures:			
Personnel	\$ 2,435,107	\$ 2,435,107	\$ 2,216,798
Other Operating Expenditures	877,364	883,534	705,447
Total Expenditures	\$ 3,312,471	\$ 3,318,641	\$ 2,922,245
Excess of Revenue Over (Under)			
Expenditures	429,831	423,661	825,330
Other Financing Sources (Uses):			
Transfers In (Out)	\$ (324,664)	\$ (324,664)	\$ (884,627)
Net Change in Fund Balance	\$ 105,167	\$ 98,997	\$ (59,297)

IHLS welcomed two new staff members supported by the General Fund in FY2020. The addition of a full-time Web & IT Administrator has been a positive support factor for SHARE members seeking technical assistance. IHLS staff have also benefitted in two ways: the IT department is now able to better manage projects with an additional colleague to share the workload; and IHLS office staff in general have another advocate to turn to when working through the small challenges faced March – June 2020. In addition to our IT coworker, we were pleased to greet a part-time Human Resources Coordinator in FY2020. With over 100 staff members spread across 3 locations, 1-FTE HR professional cannot be expected to handle all aspects of personnel management. The HR Coordinator ensures all aspects of the hiring process are fulfilled, and staff have access to benefit information when they need it.

All IHLS buildings were closed for approximately 10 weeks during the early days of the COVID-19 pandemic. During this period office staff worked remotely (mostly from their own homes) and thanks to our fairly mobile existing work environment the adjustment was rather smooth. Our IT staff inventoried available equipment to be sent home with staff in mid-March where possible. Other necessary equipment was ordered and drop-shipped to employees' homes. The principle components of remote work had been field-tested: most IHLS staff utilize laptops, a VPN (virtual private network) has been in place for quite some time, and staff are very familiar with a VOIP (voice over Internet protocol) phone system transferring calls to staff personal phones.

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Cataloging Maintenance Center (CMC)

In FY2020, the CMC completed original and copy cataloging for libraries throughout Illinois on materials related to genealogy, local history, and special collections. In FY2020, CMC staff reached libraries in the RAILS service area through a planned marketing effort of conference attendance and presentation, and an increased online presence. Two programs – Online with the CMC (a monthly series) and two online-only cataloging classes created a great deal of interest in the service from both RAILS and IHLS member libraries. In addition, CMC staff worked with a group of automated libraries on a large database cleanup project, provided transcription services for a public library's oral history project. And, part way through the year a long-time CMC staff member retired, creating the opportunity to add a new colleague to the cataloger's staff group.

Capital Projects Fund

IHLS has aging buildings, equipment, and vehicles. Capital Assets for IHLS include purchases of items with a minimum per unit cost of \$5,000. Capital Projects in FY2020 were: outdoor concrete ramps at the Champaign Facility and foundation repair due to mine subsidence, a new server, and the purchase of three new delivery vehicles for the Edwardsville Facility. Funds were transferred from the General Fund totaling \$585,427.

Capital Assets

The table below shows the value (in thousands) of IHLS Capital Assets at June 30, 2020 and 2019:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 411.6	\$ 411.6	\$ 0	\$ 0	\$ 411.6	\$ 411.6
Assets in Progress	0	0	0	0	0	0
Buildings & Improvements	735.5	693.4	0	0	735.5	693.4
Equipment & Other	3.3	5.1	0	0	3.3	5.1
Furniture & Fixtures	0	0	0	0	0	0
Computers	28.5	57.6	202.0	250.8	230.5	308.4
Vehicles	370.0	418.8	0	0	370.0	418.8
Total Capital Assets	\$ 1,548.9	\$ 1,586.5	\$ 202.0	\$ 250.8	\$ 1,750.9	\$ 1,837.3

Discussions of Currently Known Facts, Decisions, or Conditions

IHLS's FY2020 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 344 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 a new software platform and hardware replacement in several years.

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

The System Area and Per Capita Grant funding for FY2020 was \$3,400,700. At the end of fiscal year, IHLS was still owed \$2,191,000.

A prudent business practices framework will continue to guide policies and financial decisions, providing a more sustainable model. As IHLS moves into FY2021, 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.

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ILLINOIS HEARTLAND LIBRARY SYSTEM

STATEMENT OF NET POSITION

JUNE 30, 2020

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 4,579,518	\$ 1,677,019	\$ 6,256,537
Accounts Receivable	2,214,770	29,272	2,244,042
Due from Other Funds		2,067	2,067
Prepaid Expenses	136,162	204,985	341,147
Total Current Assets	<u>\$ 6,930,450</u>	<u>\$ 1,913,343</u>	<u>\$ 8,843,793</u>
Noncurrent Assets:			
Capital Assets:			
Not Being Depreciated	\$ 411,667		\$ 411,667
Being Depreciated -			
Net of Accumulated Depreciation	1,137,258	\$ 202,036	1,339,294
Net Pension Asset	1,525,811	584,026	2,109,837
Total Noncurrent Assets	<u>\$ 3,074,736</u>	<u>\$ 786,062</u>	<u>\$ 3,860,798</u>
Total Assets	<u>\$ 10,005,186</u>	<u>\$ 2,699,405</u>	<u>\$ 12,704,591</u>
Deferred Outflows of Resources:			
Deferred Outflows from Pension Contributions	\$ 2,206,081	\$ 902,059	\$ 3,108,140
Total Deferred Outflows of Resources	<u>\$ 2,206,081</u>	<u>\$ 902,059</u>	<u>\$ 3,108,140</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 12,211,267</u>	<u>\$ 3,601,464</u>	<u>\$ 15,812,731</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>			
Current Liabilities:			
Accounts Payable	\$ 38,873	\$ 21,239	\$ 60,112
Due to Other Funds	2,067		2,067
Accrued Expenses	67,309	23,703	91,012
Total Current Liabilities	<u>\$ 108,249</u>	<u>\$ 44,942</u>	<u>\$ 153,191</u>
Long-Term Liabilities:			
Accrued Compensated Absences	\$ 175,464	\$ 83,029	\$ 258,493
Total Long-Term Liabilities	<u>\$ 175,464</u>	<u>\$ 83,029</u>	<u>\$ 258,493</u>
Total Liabilities	<u>\$ 283,713</u>	<u>\$ 127,971</u>	<u>\$ 411,684</u>
Deferred Inflows of Resources:			
Deferred Inflows of Resources Related to Net Pension Asset	\$ 3,384,520	\$ 1,408,656	\$ 4,793,176
Total Deferred Inflows of Resources	<u>\$ 3,384,520</u>	<u>\$ 1,408,656</u>	<u>\$ 4,793,176</u>
Net Position:			
Net Investment in Capital Assets	\$ 1,548,925	\$ 202,036	\$ 1,750,961
Restricted			
Grant Expenditures	7,470		7,470
Unrestricted	6,986,639	1,862,801	8,849,440
Total Net Position	<u>\$ 8,543,034</u>	<u>\$ 2,064,837</u>	<u>\$ 10,607,871</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 12,211,267</u>	<u>\$ 3,601,464</u>	<u>\$ 15,812,731</u>

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense)/Revenue And Changes in Net Position - Primary Government</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General Library Services	\$ 3,833,012	\$ 250,851	\$ 3,945,953		\$ 363,792		\$ 363,792
Business-Type Activities:							
Computer Development	1,672,598	1,497,020	33,341			\$ (142,237)	(142,237)
	<u>\$ 5,505,610</u>	<u>\$ 1,747,871</u>	<u>\$ 3,979,294</u>	<u>\$ 0</u>	<u>\$ 363,792</u>	<u>\$ (142,237)</u>	<u>\$ 221,555</u>
General Revenues:							
Reimbursements					\$ 23,109		\$ 23,109
Investment Income					64,359	\$ 13,482	77,841
Miscellaneous					30,630	13	30,643
Internal Activity - Transfers					(299,200)	300,000	800
Total General Revenues					<u>\$ (181,102)</u>	<u>\$ 313,495</u>	<u>\$ 132,393</u>
Change in Net Position					\$ 182,690	\$ 171,258	\$ 353,948
Net Position - Beginning of Year					8,360,344	1,893,579	10,253,923
Net Position - End of Year					<u>\$ 8,543,034</u>	<u>\$ 2,064,837</u>	<u>\$ 10,607,871</u>

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	Major Funds			Non-Major Governmental Funds	Total Governmental Funds
	General Fund	CMC Grant Fund	Capital Projects Fund		
ASSETS:					
Cash and Cash Equivalents	\$ 2,752,508	\$ 24,313	\$ 1,802,604	\$ 93	\$ 4,579,518
Due from Other Funds		317		201	518
Accounts Receivable	2,214,770				2,214,770
Prepaid Expenses	129,432	3,626		3,104	136,162
Total Assets	<u>\$ 5,096,710</u>	<u>\$ 28,256</u>	<u>\$ 1,802,604</u>	<u>\$ 3,398</u>	<u>\$ 6,930,968</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts Payable	\$ 28,279	\$ 9,394		\$ 1,200	\$ 38,873
Due to Other Funds	2,341	244			2,585
Accrued Expenses	56,946	7,522		2,841	67,309
Total Liabilities	<u>\$ 87,566</u>	<u>\$ 17,160</u>	<u>\$ 0</u>	<u>\$ 4,041</u>	<u>\$ 108,767</u>
Fund Balances:					
Non-Spendable	\$ 129,432	\$ 3,626		\$ 3,104	\$ 136,162
Restricted		7,470			7,470
Assigned			\$ 1,802,604		1,802,604
Unassigned	4,879,712			(3,747)	4,875,965
Total Fund Balances	<u>\$ 5,009,144</u>	<u>\$ 11,096</u>	<u>\$ 1,802,604</u>	<u>\$ (643)</u>	<u>\$ 6,822,201</u>
Total Liabilities and Fund Balances	<u>\$ 5,096,710</u>	<u>\$ 28,256</u>	<u>\$ 1,802,604</u>	<u>\$ 3,398</u>	<u>\$ 6,930,968</u>

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ILLINOIS HEARTLAND LIBRARY SYSTEM
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

Total Fund Balance, Governmental Funds		\$ 6,822,201
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 \$1,653,946 accumulated depreciation	735,524	
Equipment and Other, net of \$2,000,477 accumulated depreciation	3,244	
Furniture and Fixtures, net of \$391,590 accumulated depreciation	0	
Computers, net of \$1,040,773 accumulated depreciation	28,448	
Automobiles, net of \$701,828 accumulated depreciation	370,042	
Total	1,548,925	
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		347,372
Balance of Compensated Absences at June 30, 2020		(175,464)
Total Net Position of Governmental Activities		\$ 8,543,034

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, 2020

	Major Fund			Non-Major Governmental Funds	Total Governmental Funds
	General Fund	CMC Grant Fund	Capital Projects 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		\$ 366,749		\$ 178,504	545,253
Fees for Services and Material	250,851				250,851
Reimbursements	23,109				23,109
Investment Income	42,785		\$ 21,574		64,359
Other Revenue	30,130		500		30,630
Total Revenues	<u>\$ 3,747,575</u>	<u>\$ 366,749</u>	<u>\$ 22,074</u>	<u>\$ 178,504</u>	<u>\$ 4,314,902</u>
EXPENDITURES:					
Current:					
General Library Services:					
Personnel Service	\$ 2,216,798	\$ 310,523		\$ 132,852	\$ 2,660,173
Contractual Services	161,594	54,366		45,506	261,466
Supplies and Materials	535,655	4,604		6,683	546,942
Member Library Reimbursement Expense	8,198				8,198
Capital Outlay			\$ 211,640		211,640
Total Expenditures	<u>\$ 2,922,245</u>	<u>\$ 369,493</u>	<u>\$ 211,640</u>	<u>\$ 185,041</u>	<u>\$ 3,688,419</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 825,330</u>	<u>\$ (2,744)</u>	<u>\$ (189,566)</u>	<u>\$ (6,537)</u>	<u>\$ 626,483</u>
OTHER FINANCING SOURCES (USES):					
Transfers In (Out)	\$ (884,627)		\$ 585,427		\$ (299,200)
Total Other Financing Sources (Uses)	<u>\$ (884,627)</u>	<u>\$ 0</u>	<u>\$ 585,427</u>	<u>\$ 0</u>	<u>\$ (299,200)</u>
NET CHANGE IN FUND BALANCE	(59,297)	(2,744)	395,861	(6,537)	327,283
FUND BALANCE - BEGINNING OF YEAR	5,068,441	13,840	1,406,743	5,894	6,494,918
FUND BALANCE - END OF YEAR	<u>\$ 5,009,144</u>	<u>\$ 11,096</u>	<u>\$ 1,802,604</u>	<u>\$ (643)</u>	<u>\$ 6,822,201</u>

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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, 2020

Net Change in Fund Balances - Total Governmental Funds	\$ 327,283
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.	(37,634)
Expenses for 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	(16,779)
Changes in net pension asset/liability, deferred outflows and deferred inflows related to pension assets/liabilities are reported only in the Statement of Activities	(90,180)
Change in Net Position of Governmental Activities	<u>\$ 182,690</u>

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2020

	<u>Computer Development Fund</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	
Current Assets:	
Cash and Cash Equivalents	\$ 1,677,019
Accounts Receivable	29,272
Prepaid Expenses	204,985
Due From Other Funds	2,067
Total Current Assets	<u>\$ 1,913,343</u>
Noncurrent Assets:	
Capital Assets:	
Depreciable Capital Assets	\$ 2,986,662
Accumulated Depreciation	(2,784,626)
Net Capital Assets	<u>202,036</u>
Net Pension Asset	584,026
Total Noncurrent Assets	<u>\$ 786,062</u>
Total Assets	<u>\$ 2,699,405</u>
Deferred Outflows of Resources:	
Deferred Outflow from Pension Contribution	\$ 902,059
Total Deferred Outflows of Resources	<u>\$ 902,059</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 3,601,464</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION:	
Current Liabilities:	
Accounts Payable	\$ 21,239
Accrued Expenses	23,703
Total Current Liabilities	<u>\$ 44,942</u>
Long-Term Liabilities:	
Compensated Absences Payable	\$ 83,029
Total Long-Term Liabilities	<u>\$ 83,029</u>
Total Liabilities	<u>\$ 127,971</u>
Deferred Inflows of Resources:	
Deferred Inflows of Resources Related to Net Pension Asset	\$ 1,408,656
Total Deferred Inflows of Resources	<u>\$ 1,408,656</u>
Net Position:	
Net Investment in Capital Assets	\$ 202,036
Unrestricted	1,862,801
Total Net Position	<u>\$ 2,064,837</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 3,601,464</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, 2020

	<u>Computer Development Fund</u>
OPERATING REVENUES:	
Charges for Services	\$ 1,298,364
Grants	33,341
Member Library Reimbursement Revenue	198,656
Miscellaneous Income	13
Total Operating Revenues	<u>\$ 1,530,374</u>
OPERATING EXPENSES:	
Personnel Services	\$ 966,752
Contractual Services	268,528
Supplies and Materials	129,145
Member Library Reimbursement Expense	200,080
Pension Expense	38,648
Depreciation	69,445
Total Operating Expenses	<u>\$ 1,672,598</u>
NET OPERATING INCOME (LOSS)	<u>\$ (142,224)</u>
OTHER INCOME (EXPENSE)	
Investment Income	\$ 13,482
Total Other Income (Expense)	<u>\$ 13,482</u>
NET INCOME (LOSS)	\$ (128,742)
TRANSFERS IN	<u>300,000</u>
CHANGE IN NET POSITION	\$ 171,258
NET POSITION - BEGINNING OF YEAR	<u>1,893,579</u>
NET POSITION - END OF YEAR	<u>\$ 2,064,837</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, 2020

	<u>Computer Development Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 1,455,683
Receipts from Interfund Services Provided	33,341
Payments to Vendors	(596,190)
Payments to Employees	(963,418)
Net Cash Provided by (Used in) Operating Activities	<u>\$ (70,584)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Operating Transfers From (To) Other Funds	\$ 300,000
Increase (Decrease) in Due to Other Funds	(2,142)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>\$ 297,858</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Payments for Capital Acquisitions	<u>\$ (20,671)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>\$ (20,671)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment Income	<u>\$ 13,482</u>
NET INCREASE IN CASH	220,085
CASH, BEGINNING OF YEAR	<u>1,456,934</u>
CASH, END OF YEAR	<u><u>\$ 1,677,019</u></u>
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	
Net Operating Income (Loss)	\$ (142,224)
Adjustment to Reconcile Net Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	69,445
(Increase) Decrease in Assets:	
Accounts Receivable	(13,426)
Prepaid Expenses	(27,926)
Deferred Outflows of Resources	412,538
Increase (Decrease) in Liabilities:	
Accounts Payable	2,445
Deferred Inflows of Resources	778,777
Net Pension Asset/Liability	(1,152,666)
Accrued Expenses	6,920
Compensated Absences Payable	(4,467)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	<u><u>\$ (70,584)</u></u>

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF AGENCY NET POSITION
AGENCY FUNDS
JUNE 30, 2020

	<u>SWAYS - Agency Fund</u>	<u>Lewis and Clark Library System 457 Plan - Agency Fund</u>	<u>OCLC - Agency Fund</u>	<u>Total</u>
ASSETS				
Current Assets:				
Cash	<u>\$ 2,089</u>	<u>\$ 241,282</u>	<u>\$ 2,235,693</u>	<u>\$ 2,479,064</u>
LIABILITIES				
Current Liabilities:				
Due To Other Agencies	<u>\$ 1,974</u>	<u>\$ 241,282</u>	<u>\$ 2,235,693</u>	<u>\$ 2,478,949</u>
NET POSITION	<u>\$ 115</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 115</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,089</u>	<u>\$ 241,282</u>	<u>\$ 2,235,693</u>	<u>\$ 2,479,064</u>

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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, 2020

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, 2020

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 fund. 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, 2020

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 Funds

The System's non-major special revenue funds include: OCLC Grant Fund and Marc of Quality 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 agency capacity for others and therefore cannot be used to support the System's own programs. The System has four fiduciary funds, the OCLC–Agency Fund, which is used to account for funds held in trust for the ILLINET OCLC, Lewis and Clark Library System 457 Plan – Agency 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, SWAYS – Agency Fund, which is used to account for fund from the Southwest Advocates for Youth Services, and Roadside Training – Agency Fund which is used to account for funds that are derived from training programs put on by member libraries.

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020 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, 2020, 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, 2020

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 years.

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, 2020

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 \$15,437 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, 2020

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.

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 \$129,432, \$3,626, and \$3,104, respectively, at fiscal year end June 30, 2020.

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. At June 30, 2020, revenue received exceeded expenditures disbursed from state grants in the CMC Grant Fund, resulting in a restricted fund balance of \$7,470.

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020.

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 \$1,802,604, as of June 30, 2020.

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 and OCLC Grant Fund showed unassigned fund balances of \$4,879,712 and (\$3,747), respectively, as of June 30, 2020.

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.

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2020, are classified in the accompanying financial statements as follows:

Cash and Cash Equivalents	<u>\$ 6,256,537</u>
Total	<u>\$ 6,256,537</u>
Fiduciary Funds	
Cash and Cash Equivalents – Fiduciary Funds	<u>\$ 2,479,064</u>
Total	<u>\$ 2,479,064</u>

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 \$4,813,182 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, 2020.

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, 2020, was \$4,813,182. 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, 2020

NOTE 4. RECEIVABLES

At June 30, 2020, receivables were as follows for the governmental funds and governmental activities:

	<u>Receivables</u>
Area & Per Capita	\$ 2,191,000
Other	23,770
Total	<u>\$ 2,214,770</u>

At June 30, 2020, receivables were as follows for the business-type activities and enterprise fund:

	<u>Receivables</u>
Other	\$ 29,272
Total	<u>\$ 29,272</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, 2020:

	<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	\$ 989,804	\$ 82,066	\$ 0	\$ 1,071,870
Buildings and Improvements	2,269,696	119,774		2,389,470
Equipment and Other	2,003,721			2,003,721
Furniture and Fixtures	391,590			391,590
Computers	<u>1,069,221</u>			<u>1,069,221</u>
Subtotal	<u>\$ 6,724,032</u>	<u>\$ 201,840</u>	<u>\$ 0</u>	<u>\$ 6,925,872</u>
Accumulated Depreciation:				
Automobiles	\$ 571,012	\$ 130,816	\$ 0	\$ 701,828
Buildings and Improvements	1,576,249	77,697		1,653,946
Equipment and Other	1,998,624	1,853		2,000,477
Furniture and Fixtures	391,590			391,590
Computers	<u>1,011,665</u>	<u>29,108</u>		<u>1,040,773</u>
Subtotal	<u>\$ 5,549,140</u>	<u>\$ 239,474</u>	<u>\$ 0</u>	<u>\$ 5,788,614</u>
Net Other Capital Assets	<u>\$ 1,174,892</u>	<u>\$ (37,634)</u>	<u>\$ 0</u>	<u>\$ 1,137,258</u>
Net Capital Assets	<u>\$ 1,586,559</u>	<u>\$ (37,634)</u>	<u>\$ 0</u>	<u>\$ 1,548,925</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 5. CAPITAL ASSETS (CONTINUED)

Current year depreciation expense was charged to the following function:

General Library Services \$239,474

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, 2020:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Other Capital Assets:				
Equipment and Other	\$ 1,623,650	\$ 20,671		\$ 1,644,321
Computers	<u>1,342,341</u>			<u>1,342,341</u>
Subtotal	<u>\$ 2,965,991</u>	<u>\$ 20,671</u>	<u>\$ 0</u>	<u>\$ 2,986,662</u>
Accumulated Depreciation:				
Equipment and Other	\$ 1,623,650			\$ 1,623,650
Computers	<u>1,091,531</u>	<u>\$ 69,445</u>		<u>1,160,976</u>
Subtotal	<u>\$ 2,715,181</u>	<u>\$ 69,445</u>	<u>\$ 0</u>	<u>\$ 2,784,626</u>
Net Capital Assets	<u>\$ 250,810</u>	<u>\$ (48,774)</u>	<u>\$ 0</u>	<u>\$ 202,036</u>

Current year depreciation expense was charged to the following function:

Computer Development \$69,445

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, 2020:

	<u>June 30, 2019</u>	<u>Current Year Change</u>	<u>June 30, 2020</u>	<u>Due Within One Year</u>
Accrued				
Compensated Absences	<u>\$ 151,064</u>	<u>\$ 16,779</u>	<u>\$ 175,464</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, 2020:

	<u>June 30, 2019</u>	<u>Current Year Change</u>	<u>June 30, 2020</u>	<u>Due Within One Year</u>
Accrued				
Compensated Absences	<u>\$ 87,496</u>	<u>\$ (4,467)</u>	<u>\$ 83,029</u>	<u>\$ 0</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables at June 30, 2020, are summarized below:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental Funds:		
General Fund		\$ 2,341
OCLC Fund	\$ 201	
CMC Grant Fund	317	244
Proprietary Fund:		
Computer Development Fund	2,067	
Total	<u>\$ 2,585</u>	<u>\$ 2,585</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, 2020, are summarized below:

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General Fund	\$ 800	\$ 885,427
Capital Projects Fund	585,427	
Proprietary Fund:		
Computer Development Fund	300,000	
Agency Fund:		
Roadside Training Fund		800
Total	<u>\$ 886,227</u>	<u>\$ 886,227</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, 2020, 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 and copiers under non-cancelable operating leases, expiring at various times between August 2019 and June 2024. 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, 2020

NOTE 9. LEASES (CONTINUED)

Fiscal Year Ending June 30,		
2021	\$	84,904
2022		84,904
2023		94,904
2024		93,611
2025		0
Total	\$	<u>358,323</u>

Total rental expense for operating leases for the year ended June 30, 2020, was \$89,958.

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, 2020, 91 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, 2020, total charges for services revenue earned from these organizations was \$170,076.

NOTE 13. 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.

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).

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 13. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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, 2019, the following employees were covered by the Plan:

Active Employees	43
Inactive employees or beneficiaries currently receiving benefits	217
Inactive employees entitled to but not yet receiving benefits	<u>75</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 2019 was 0.82 percent. For the fiscal year ended June 30, 2020, the System contributed \$103,530 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, 2019, 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, 2019, 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, 2020

NOTE 13. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Cost Method	Entry Age Normal
Assets Valuation Method	Market Value of Assets
Price Inflation	2.50%
Salary Increases	3.35% to 14.25%
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, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was 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 adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was 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.

A detailed description of the actuarial assumptions and methods can be found in the December 31, 2019 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, 2020

NOTE 13. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Class	Target Allocation	Return 12/31/2019	Projected Returns/Risk	
			One Year Arithmetic	Ten Year Geometric
Equities	37.00%	29.23%	7.05%	5.75%
International Equities	18.00%	23.76%	8.10%	6.50%
Fixed Income	28.00%	9.50%	3.70%	3.25%
Real Estate	9.00%	9.78%	6.35%	5.20%
Alternatives	7.00%			
Private Equity		N/A	11.30%	7.60%
Hedge Funds		N/A	N/A	N/A
Commodities		N/A	4.65%	3.60%
Cash Equivalents	1.00%	3.59%	1.85%	1.85%
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 2.75%, 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, 2019, were as follows:

	Total Pension Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance, December 31, 2018	\$ 33,267,552	\$ 31,535,168	\$ 1,732,384
Changes for the year:			
Service Cost	224,615		224,615
Interest	2,333,691		2,333,691
Difference between expected and actual experience	368,851		368,851
Changes in assumptions	0		0
Contributions-employees		108,703	(108,703)
Contributions- employer		40,470	(40,470)
Net investment income		6,374,681	(6,374,681)
Benefit payments including refunds of employee Contributions	(2,382,045)	(2,382,045)	0
Other (Net Transfer)		245,524	(245,524)
Net Changes	545,112	4,387,333	(3,842,221)
Balance, December 31, 2019	\$ 33,812,664	\$ 35,922,501	\$ (2,109,837)

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 13. 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%	\$ 1,206,118
Current discount rate	7.25%	(2,109,837)
1% increase	8.25%	(4,911,507)

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, 2020, the System recognized pension expense of \$227,866. At June 30, 2020, 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	\$ 18,931	
Changes of assumptions		
Net difference between projected and actual earnings on Plan investments	2,999,533	\$ 4,793,176
Contributions after Measurement Date	89,676	
Total	<u>\$ 3,108,140</u>	<u>\$ 4,793,176</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>
2020	\$ (436,119)
2021	(574,626)
2022	157,793
2023	(832,083)
2024	0
Thereafter	0
Total	<u>\$ (1,685,035)</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 14. EXCESS OF EXPENDITURES OVER BUDGET

There were no major funds that had excess expenditures over budget for the fiscal year ended June 30, 2020.

NOTE 15. 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, 2020, 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, 2020.

NOTE 16. 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 17. SUBSEQUENT EVENTS

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

In July 2020, the Illinois Heartland Library System entered into 9 vehicle leases with Enterprise Fleet Management. The annual minimum lease payments for these leases amounts to \$91,609. The Box Truck and Staff Van leases have lease terms of 48 months. The 7 Ford Transit Van leases have lease terms of 24 months.

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.

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	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	251,567	251,567	250,851	\$ (716)
Reimbursements	24,664	24,664	23,109	(1,555)
Investment Income	44,641	44,641	42,785	(1,856)
Other Revenue	20,730	20,730	30,130	9,400
Total Revenues	<u>\$ 3,742,302</u>	<u>\$ 3,742,302</u>	<u>\$ 3,747,575</u>	<u>\$ 5,273</u>
EXPENDITURES:				
Current:				
General Library Services:				
Personnel Service	\$ 2,435,107	\$ 2,435,107	\$ 2,216,798	\$ (218,309)
Contractual Services	274,494	274,494	161,594	(112,900)
Supplies and Materials	602,870	609,040	535,655	(73,385)
Member Library Reimbursement Expense			8,198	8,198
Total Expenditures	<u>\$ 3,312,471</u>	<u>\$ 3,318,641</u>	<u>\$ 2,922,245</u>	<u>\$ (396,396)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 429,831</u>	<u>\$ 423,661</u>	<u>\$ 825,330</u>	<u>\$ 401,669</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	\$ (324,664)	\$ (324,664)	\$ (884,627)	\$ (559,963)
Total Other Financing Sources (Uses)	<u>\$ (324,664)</u>	<u>\$ (324,664)</u>	<u>\$ (884,627)</u>	<u>\$ (559,963)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 105,167</u>	<u>\$ 98,997</u>	\$ (59,297)	<u>\$ (158,294)</u>
FUND BALANCE - BEGINNING OF YEAR			5,068,441	
FUND BALANCE - END OF YEAR			<u>\$ 5,009,144</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, 2020

	<u>Budget</u>		<u>Actual</u>	<u>Variance (Actual - Final Budget)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
State Grants:				
Illinois State Library	\$ 376,321	\$ 376,321	\$ 366,749	\$ (9,572)
Total Revenues	<u>\$ 376,321</u>	<u>\$ 376,321</u>	<u>\$ 366,749</u>	<u>\$ (9,572)</u>
EXPENDITURES:				
Current:				
General Library Services:				
Personnel Service	\$ 315,749	\$ 315,749	\$ 310,523	\$ (5,226)
Contractual Services	55,017	55,017	54,366	(651)
Supplies and Materials	5,555	5,555	4,604	(951)
Total Expenditures	<u>\$ 376,321</u>	<u>\$ 376,321</u>	<u>\$ 369,493</u>	<u>\$ (6,828)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 0</u>	<u>\$ 0</u>	\$ (2,744)	<u>\$ (2,744)</u>
FUND BALANCE BEGINNING OF YEAR			<u>13,840</u>	
FUND BALANCE - END OF YEAR			<u>\$ 11,096</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, 2020

	Budget		Actual	Variance
	Original	Final		(Actual - Final Budget)
REVENUES:				
Investment Income	\$ 15,845	\$ 15,845	\$ 21,574	\$ 5,729
Other Revenues			500	500
Total Revenues	<u>\$ 15,845</u>	<u>\$ 15,845</u>	<u>\$ 22,074</u>	<u>\$ 6,229</u>
EXPENDITURES:				
Capital Outlay	\$ 170,807	\$ 289,637	\$ 211,640	\$ (77,997)
Total Expenditures	<u>\$ 170,807</u>	<u>\$ 289,637</u>	<u>\$ 211,640</u>	<u>\$ (77,997)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (189,566)</u>	<u>\$ 84,226</u>
OTHER FINANCING SOURCES (USES)				
Transfers In			\$ 585,427	\$ 585,427
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 585,427</u>	<u>\$ 585,427</u>
NET CHANGE IN FUND BALANCE	<u>\$ (154,962)</u>	<u>\$ (273,792)</u>	<u>\$ 395,861</u>	<u>\$ 669,653</u>
FUND BALANCE - BEGINNING OF YEAR			1,406,743	
FUND BALANCE - END OF YEAR			<u>\$ 1,802,604</u>	

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

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 MARC of Quality and OCLC Grant, which are derived from the grant budgets.

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 for the fiscal year ended June 30, 2020.

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,	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total Pension Liability										
Service Cost	\$ 224,615	\$ 179,185	\$ 186,886	\$ 240,821	\$ 208,201	\$ 235,054				
Interest on the Total Pension Liability	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				
Difference between Expected and Actual Experience	368,851	337,494	504,869	(214,774)	616,002	139,024				
Assumption Changes	0	736,512	(997,797)	0	0	1,138,977				
Benefit Payments and Refunds	(2,382,045)	(2,263,936)	(2,125,298)	(2,044,060)	(1,984,300)	(1,891,157)				
Net Change in Total Pension Liability	545,112	1,308,040	(99,597)	296,557	1,074,875	1,731,507				
Total Pension Liability - Beginning	33,267,552	31,959,512	32,059,109	31,762,552	30,687,677	28,956,169				
Total Pension Liability - Ending (a)	\$ 33,812,664	\$ 33,267,552	\$ 31,959,512	\$ 32,059,109	\$ 31,762,552	\$ 30,687,676				
Plan Fiduciary Net Position										
Employer Contributions	\$ 40,470	\$ 177,666	\$ 202,868	\$ 273,509	\$ 325,404	442,904				
Employee Contributions	108,703	93,727	84,381	94,367	132,256	91,501				
Pension Plan Net Investment Income	6,374,681	(2,365,486)	5,935,957	2,104,214	152,703	1,819,805				
Benefit Payments and Refunds	(2,382,045)	(2,263,936)	(2,125,298)	(2,044,060)	(1,984,300)	(1,891,157)				
Other	245,524	889,733	(663,474)	506,944	704,141	329,556				
Net Change in Plan Fiduciary Net Position	4,387,333	(3,468,296)	3,434,434	934,974	(669,796)	792,609				
Plan Fiduciary Net Position - Beginning	31,535,168	35,003,464	31,569,030	30,634,056	31,303,852	30,511,243				
Plan Fiduciary Net Position - Ending (b)	\$ 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)	(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	106.24%	94.79%	109.52%	98.47%	96.45%	102.01%				
Covered Valuation Payroll	\$ 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	(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 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%

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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
NOTES TO THE SCHEDULE OF CONTRIBUTIONS
SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS
USED IN THE CALCULATION OF THE 2019 CONTRIBUTION RATE

Valuation Date:

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

Methods and Assumptions Used to Determine 2019 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): 24-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 19 years for most employers (three employers were financed over 28 years and four others were financed over 29 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	7.50%
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, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2017 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2014). 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, an IMRF specific mortality table was 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.

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Other Information:

Notes There were no benefit changes during the year.

*Based on Valuation Assumptions used in the December 31, 2017 actuarial valuation

ILLINOIS HEARTLAND LIBRARY SYSTEM
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2020

	<u>OCLC Grant</u>	<u>Marc of Quality Grant</u>	<u>Total Non-Major Special Revenue Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 93		\$ 93
Due from Other Funds	201		201
Prepaid Expenses	3,104		3,104
Total Assets	<u>\$ 3,398</u>	<u>\$ 0</u>	<u>\$ 3,398</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 1,200		\$ 1,200
Accrued Expenses	2,841		2,841
Total Liabilities	<u>\$ 4,041</u>	<u>\$ 0</u>	<u>\$ 4,041</u>
Fund Balances:			
Nonspendable	\$ 3,104		\$ 3,104
Unassigned	(3,747)		(3,747)
Total Fund Balances	<u>\$ (643)</u>	<u>\$ 0</u>	<u>\$ (643)</u>
Total Liabilities and Fund Balances	<u>\$ 3,398</u>	<u>\$ 0</u>	<u>\$ 3,398</u>

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ILLINOIS HEARTLAND LIBRARY SYSTEM
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>OCLC Grant</u>	<u>Marc of Quality Grant</u>	<u>Total Non-Major Special Revenue Funds</u>
REVENUES:			
State Grants:			
Illinois State Library	\$ 169,804	\$ 8,700	\$ 178,504
Total Revenues	<u>\$ 169,804</u>	<u>\$ 8,700</u>	<u>\$ 178,504</u>
EXPENDITURES:			
General Library Services:			
Personnel Service	\$ 132,852		\$ 132,852
Contractual Services	36,806	\$ 8,700	45,506
Supplies and Materials	6,683		6,683
Total Expenditures	<u>\$ 176,341</u>	<u>\$ 8,700</u>	<u>\$ 185,041</u>
NET CHANGE IN FUND BALANCE	\$ (6,537)	\$ 0	\$ (6,537)
FUND BALANCE, BEGINNING OF YEAR	<u>5,894</u>	<u>0</u>	<u>5,894</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ (643)</u>	<u>\$ 0</u>	<u>\$ (643)</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Budget		Actual
	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	251,567	251,567	250,851
Reimbursements	24,664	24,664	23,109
Investment Income	44,641	44,641	42,785
Other Revenue	20,730	20,730	30,130
Total Revenues	<u>\$ 3,742,302</u>	<u>\$ 3,742,302</u>	<u>\$ 3,747,575</u>
EXPENDITURES:			
General Library Services:			
Personnel			
Salaries and Wages	\$ 1,909,908	\$ 1,909,908	\$ 1,778,888
Payroll Taxes and Fringe Benefits	502,554	502,554	413,131
Recruiting	5,645	5,645	13,670
Training and Professional Development	17,000	17,000	11,109
Contractual Services			
Contractual Agreements	53,690	53,690	3,298
Travel, Meetings, and Continuing Education for Staff and Board	47,500	47,500	18,051
Professional Services	31,562	31,562	22,811
Liability Insurance	25,245	25,245	15,947
Telephone and Telecommunications	19,144	19,144	17,399
Conferences and Continuing Education Meetings	45,869	45,869	57,886
Consulting	12,000	12,000	0
Professional Association Membership Dues	6,211	6,211	4,780
Public Relations	33,273	33,273	21,422
Supplies and Materials			
Computer Supplies	32,880	32,880	32,699
General Office Supplies and Equipment	9,400	9,400	11,624
Postage	1,200	1,200	1,195
Delivery Supplies	20,825	20,825	8,018
Buildings and Grounds	236,923	236,923	235,830
Vehicle Expenses	291,263	297,433	211,180
Miscellaneous	2,439	2,439	28,963
Equipment Rental, Repair, and Maintenance	7,940	7,940	6,146
Member Library Reimbursement Expense			8,198
Total Expenditures	<u>\$ 3,312,471</u>	<u>\$ 3,318,641</u>	<u>\$ 2,922,245</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 429,831</u>	<u>\$ 423,661</u>	<u>\$ 825,330</u>
OTHER FINANCING SOURCES (USES):			
Transfers Out	\$ (324,664)	\$ (324,664)	\$ (884,627)
Total Other Financing Sources (Uses)	<u>\$ (324,664)</u>	<u>\$ (324,664)</u>	<u>\$ (884,627)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 105,167</u>	<u>\$ 98,997</u>	<u>\$ (59,297)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>5,068,441</u>
FUND BALANCE - END OF YEAR			<u>\$ 5,009,144</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, 2020

	Budget		Actual
	Original	Final	
REVENUES:			
State Grants:			
Illinois State Library	\$ 376,321	\$ 376,321	\$ 366,749
Total Revenues	<u>\$ 376,321</u>	<u>\$ 376,321</u>	<u>\$ 366,749</u>
EXPENDITURES:			
General Library Services:			
Personnel	\$ 315,749	\$ 315,749	\$ 310,523
Contractual Services			
Contractual Agreements	37,650	37,650	33,341
Travel, Meetings, and Continuing Education for Staff and Board	11,256	11,256	5,523
Professional Services			3,730
Professional Association Membership Dues	736	736	961
Telephone and Telecommunications	2,750	2,750	2,661
Conferences and Continuing Education Meetings			6,483
Public Relations	2,625	2,625	1,667
Supplies and Materials			
Computer Supplies	2,560	2,560	1,987
Supplies, Postage and Printing	700	700	311
Vehicle Expenses	55	55	292
Equipment Rental, Repair, and Maintenance	2,240	2,240	2,014
Total Expenditures	<u>\$ 376,321</u>	<u>\$ 376,321</u>	<u>\$ 369,493</u>
NET CHANGE IN FUND BALANCE	<u>\$ 0</u>	<u>\$ 0</u>	\$ (2,744)
FUND BALANCE - BEGINNING OF YEAR			<u>13,840</u>
FUND BALANCE - END OF YEAR			<u>\$ 11,096</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, 2020

	Budget		Actual
	Original	Final	
REVENUES:			
State Grants:			
Illinois State Library	\$ 169,803	\$ 169,803	\$ 169,804
Total Revenues	<u>\$ 169,803</u>	<u>\$ 169,803</u>	<u>\$ 169,804</u>
EXPENDITURES:			
General Library Services:			
Personnel	\$ 133,844	\$ 133,844	\$ 132,852
Contractual Services			
Contractual Agreements	19,137	19,137	15,437
Professional Services	13,000	13,000	18,142
Telephone & Telecommunication	3,225	3,225	3,227
Supplies and Materials			
Computer Supplies			927
Equipment Rental, Repair, and Maintenance	4,080	4,080	3,958
Supplies, Postage and Printing	2,200	2,200	1,793
Miscellaneous			5
Total Expenditures	<u>\$ 175,486</u>	<u>\$ 175,486</u>	<u>\$ 176,341</u>
NET CHANGE IN FUND BALANCE	<u>\$ (5,683)</u>	<u>\$ (5,683)</u>	<u>\$ (6,537)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>5,894</u>
FUND BALANCE (DEFICIT) - END OF YEAR			<u>\$ (643)</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
MARC OF QUALITY GRANT FUND - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Budget		Actual
	Original	Final	
REVENUES:			
Illinois State Library	\$ 8,700	\$ 8,700	\$ 8,700
Total Revenues	\$ 8,700	\$ 8,700	\$ 8,700
EXPENDITURES:			
General Library Services:			
Contractual Services	\$ 8,700	\$ 8,700	\$ 8,700
Total Expenditures	\$ 8,700	\$ 8,700	\$ 8,700
NET CHANGE IN FUND BALANCE	\$ 0	\$ 0	\$ 0
FUND BALANCE - BEGINNING OF YEAR			0
FUND BALANCE - END OF YEAR			\$ 0

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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, 2020

	Budget		Actual
	Original	Final	
REVENUES:			
Investment Income	\$ 15,845	\$ 15,845	\$ 21,574
Other Revenues			500
Total Revenues	\$ 15,845	\$ 15,845	\$ 22,074
EXPENDITURES:			
Capital Outlay	\$ 170,807	\$ 289,637	\$ 211,640
Total Expenditures	\$ 170,807	\$ 289,637	\$ 211,640
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES			\$ (189,566)
OTHER FINANCING SOURCES (USES)			
Transfers In			\$ 585,427
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 585,427
NET CHANGE IN FUND BALANCE	\$ (154,962)	\$ (273,792)	\$ 395,861
FUND BALANCE - BEGINNING OF YEAR			1,406,743
FUND BALANCE - END OF YEAR			\$ 1,802,604

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ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

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.

B. 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
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 2019-1 – 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.

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September 10, 2020

CORRECTIVE ACTION PLAN

Illinois State Library

The Illinois Heartland Library System respectfully submits the following corrective action plan for the year ended June 30, 2020.

Name and address of independent public accounting firm:

Scheffel Boyle
322 State Street
Alton, IL 62002

Audit Period: For the Year Ended June 30, 2020

The findings from the September 10, 2020, 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

2020-1

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.

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

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ILLINOIS HEARTLAND LIBRARY SYSTEM

AGREED UPON PROCEDURES

JUNE 30, 2020

Draft

August 13, 2020

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, 2020. Illinois Heartland Library System's management is responsible for the System's financial statements and accounting records. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached pages either for the purpose for which this report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted 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 financial statements or 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.

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

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, 2020 and trace the book balances to the financial statements and/or trial balance.

Two exceptions were found as a result of performing this procedure.

- *The November, 2019 reconciled balance in the Illinois Funds OCLC E-Pay Account, ending in #8549, does not reflect a \$10 deposit that cleared the bank in November.*
- *The January, 2020 reconciled balance in the Illinois Funds OCLC E-Pay Account, ending in #8549, includes a \$10.27 charge that is shown as an outstanding item. This item cleared the bank so it is incorrectly shown as an outstanding item on the reconciliation.*

2. Confirm the June 30, 2020 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, 2020, 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, 2020, 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.