

ILLINOIS HEARTLAND LIBRARY SYSTEM

REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2018

ILLINOIS HEARTLAND LIBRARY SYSTEM

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ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON BARTELSON

August 27, 2018

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Illinois Heartland Library System

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Illinois Heartland Library System (the System) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the System, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then end in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Employer Contributions, and budgetary comparison information on pages 42-48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

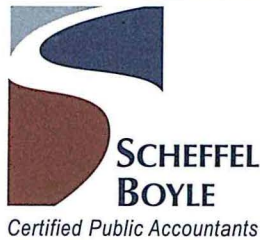
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2018, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.


Alton, Illinois



ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON BARTELSON

August 27, 2018

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

To the Board of Directors of
Illinois Heartland Library System

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Illinois Heartland Library System, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Illinois Heartland Library System's basic financial statements, and have issued our report thereon dated August 27, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Illinois Heartland Library System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Illinois Heartland Library System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. We consider item 2018-1 to be a significant deficiency.

Compliance and Other Matters

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

Illinois Heartland Library System's Response to Findings

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

Purpose of this Report

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


Alton, Illinois

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018 (FY2018). 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 \$36.1543 per square mile and \$1.0401 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 \$3,364,429.41. However, in FY2016 and FY2017 due to Illinois budget impasse IHLS's funding level was reduced to 58% of FY2015 funding level - \$1,989,670.98. In FY2018, IHLS received approval of funding for \$3,400,700.32 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. At the beginning of FY2018, 518 libraries of various types participated as members of IHLS (31 academics, 226 publics, 232 school districts, and 29 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, 2018

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 12 contains the *Statement of Net Position* which presents information on all IHLS's assets and liabilities as of June 30, 2018. The *Statement of Activities*, found on page 13, reflects the change in Net Position and FY2018 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 FY2018 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 FY2018, 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, 2018

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, 2018, *SHARE* currently represents 342 agencies (utilizing 487 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 18-20 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 one *Fiduciary Fund, The Online Computer Library Center, Inc. (OCLC) Fund*. 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.

Notes to the Financial Statements

The notes provide additional information and insight that is essential to a full understanding of the data provided. *The Notes to the Financial Statements* can be found on pages 22-39 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 40-46 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 47-58 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 \$10,512,244 at the close FY2018.

The largest portion of the IHLS's Net Position (62%) 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, 2018

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|-------------------------|---------------|--------------------------|---------------|----------------|---------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Current and Other Assets | \$ 6.3 | \$ 5.7 | \$ 1.5 | \$ 1.6 | \$ 7.8 | \$ 7.3 |
| Noncurrent Assets | 3.9 | 1.6 | 1.2 | 0.1 | 5.1 | 1.7 |
| Total Assets | <u>\$ 10.2</u> | <u>\$ 7.3</u> | <u>\$ 2.7</u> | <u>\$ 1.7</u> | <u>\$ 12.9</u> | <u>\$ 9.0</u> |
| Deferred Outflows of Resources | <u>\$ 0.8</u> | <u>\$ 1.2</u> | <u>\$ 0.3</u> | <u>\$ 0.5</u> | <u>\$ 1.1</u> | <u>\$ 1.7</u> |
| Current and Other Liabilities | \$ 0.3 | \$ 0.1 | \$ 0.1 | \$ 0.1 | \$ 0.4 | \$ 0.2 |
| Long-Term Liabilities | 0.1 | 0.5 | 0.1 | 0.3 | 0.2 | 0.8 |
| Total Liabilities | <u>\$ 0.4</u> | <u>\$ 0.6</u> | <u>\$ 0.2</u> | <u>\$ 0.4</u> | <u>\$ 0.6</u> | <u>\$ 1.0</u> |
| Deferred Inflows of Resources | <u>\$ 2.1</u> | <u>\$ 0</u> | <u>\$ 0.8</u> | <u>\$ 0</u> | <u>\$ 2.9</u> | <u>\$ 0</u> |
| Net Position | | | | | | |
| Net Investment in Capital Assets | \$ 1.7 | \$ 1.6 | \$ 0.3 | \$ 0.1 | \$ 2.0 | \$ 1.7 |
| Restricted | 0 | 0.1 | 0 | 0 | 0 | 0.1 |
| Unrestricted | 6.8 | 6.2 | 1.7 | 1.7 | 8.5 | 7.9 |
| Total Net Position | <u>\$ 8.5</u> | <u>\$ 7.9</u> | <u>\$ 2.0</u> | <u>\$ 1.8</u> | <u>\$ 10.5</u> | <u>\$ 9.7</u> |

Long-Term Liabilities represents the value of earned, but unused vacation accumulated by employees, as well as Net Pension Liability related to participation in the Illinois Municipal Retirement (IMRF) Fund, as of June 30, 2018. 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, 2018 and 2017:

| | Governmental Activities | | Business-Type Activities | | Total | |
|-------------------------------|-------------------------|---------------|--------------------------|---------------|----------------|---------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Revenues: | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$ 0.2 | \$ 0.2 | \$ 1.6 | \$ 1.5 | \$ 1.8 | \$ 1.7 |
| Operating Grants and Contr. | 3.8 | 2.5 | | | 3.8 | 2.5 |
| General Revenues | | 0.1 | 0.1 | | 0.1 | 0.1 |
| Internal Activity - Transfers | (0.2) | (0.2) | 0.2 | 0.2 | | |
| Total Revenues | <u>\$ 3.8</u> | <u>\$ 2.6</u> | <u>\$ 1.9</u> | <u>\$ 1.7</u> | <u>\$ 5.7</u> | <u>\$ 4.3</u> |
| Expenses: | | | | | | |
| General Library Services | \$ 3.3 | \$ 3.1 | | | \$ 3.3 | \$ 3.1 |
| Computer Development | | | \$ 1.7 | \$ 1.7 | 1.7 | 1.7 |
| Total Expenses | <u>\$ 3.3</u> | <u>\$ 3.1</u> | <u>\$ 1.7</u> | <u>\$ 1.7</u> | <u>\$ 5.0</u> | <u>\$ 4.8</u> |
| Change in Net Position | \$ 0.6 | \$ (0.5) | \$ 0.2 | \$ 0 | \$ 0.8 | \$ (0.5) |
| Beginning Net Position | 7.9 | 8.4 | 1.8 | 1.8 | 9.7 | 10.2 |
| Ending Net Position | <u>\$ 8.5</u> | <u>\$ 7.9</u> | <u>\$ 2.0</u> | <u>\$ 1.8</u> | <u>\$ 10.5</u> | <u>\$ 9.7</u> |

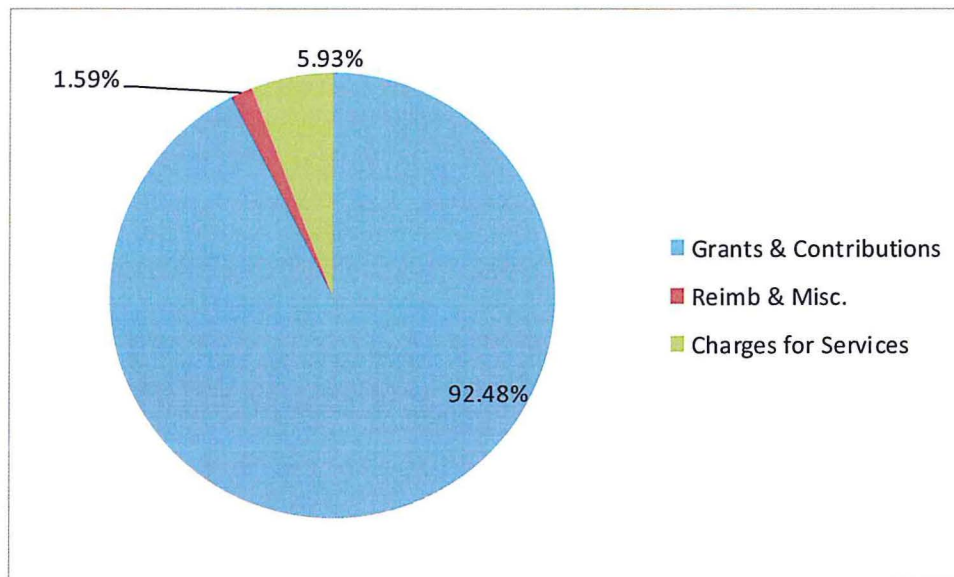
ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

This Statement reflects a change in Net Position \$722,610. This is a 7.4% increase. This increase in the current year is attributable to IHLS receiving its normal allotment of System Area & Per Capita Grant Funding which is approximately 71% increase 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 19), *Charges for Services* continued to represent most of the *Operating Revenues* (approximately 82%).

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 14, as of June 30, 2018, *IHLS's Governmental Funds* reported a combined ending fund balance of \$6,015,560.

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

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 | \$ 3,364,429 | \$ 3,364,429 | \$ 3,400,700 |
| Fees for Services and Material | 245,417 | 245,417 | 246,064 |
| Investment income | 13,212 | 13,212 | 34,381 |
| Miscellaneous | 16,429 | 16,429 | 25,722 |
| Total Revenues | <u>\$ 3,639,487</u> | <u>\$ 3,639,487</u> | <u>\$ 3,706,867</u> |
| Expenditures: | | | |
| Personnel | \$ 2,139,776 | \$ 2,139,776 | \$ 1,913,822 |
| Other Operating Expenditures | 678,793 | 678,793 | 667,083 |
| Capital Outlays | 257,315 | 257,315 | 392,308 |
| Total Expenditures | <u>\$ 3,075,884</u> | <u>\$ 3,075,884</u> | <u>\$ 2,973,213</u> |
| Excess of Revenue Over (Under) | | | |
| Expenditures | <u>563,603</u> | <u>563,603</u> | <u>733,654</u> |
| Other Financing Sources (Uses): | | | |
| Transfers In (Out) | \$ (250,000) | \$ (250,000) | \$ (231,072) |
| Gain on Disposal of Fixed Assets | | | 26,715 |
| Net Change in Fund Balance | <u>\$ 313,603</u> | <u>\$ 313,603</u> | <u>\$ 529,297</u> |

IHLS developed a budget based on the priority areas identified by the ISL and the *FY2018 Goals* contained in the *IHLS's 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. FY2018 budget represents normal funding level compared to deficit funding level of 42% received in FY2016 and FY2017 due to Illinois budget Impasse in those fiscal years.

With an improved funding level in FY2018, IHLS was able to achieve several significant accomplishments. Three full-time staff positions were added – HR Generalist, IT Specialist, and Membership Coordinator and one part-time position was also added – Accounting Assistant. In addition, functional 5-day-a-week delivery services was fully operational.

Cataloging Maintenance Center (CMC)

In FY2018, the CMC completed original and copy cataloging for libraries throughout Illinois on materials related to genealogy, local history, and special collections. In addition, the CMC staff conducted training classes on the new cataloging content standard, Resource Description and Access (RDA), for libraries in RAILS as well as IHLS libraries. Staff also provided metadata records and transcription of digitized images under the Illinois Digital Imaging Grant.

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. Normally, Capital Assets are purchased with funds from the *Capital Project Fund*. However, in FY2018, all Capital Assets were purchased in the *General Fund* – initiated to maintain the *Capital Projects Funds* balance since, no additional funds were added to this fund during FY2016 and FY2017 because of deficit funding level. Capital Projects in FY2018 were: purchased box truck, replaced one HVAC Unit and computer server in the Champaign Facility, building and grounds renovations completed at the Champaign Facility, and purchased five new delivery vehicles.

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

Capital Assets

The table below shows the value (in thousands) of IHLS Capital Assets at June 30, 2018 and 2017:

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|--------------------------|--------------------------------|-------------------|---------------------------------|-----------------|-------------------|-------------------|
| | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> |
| Land | \$ 411.6 | \$ 411.6 | | | \$ 411.6 | \$ 411.6 |
| Assets in Progress | 135.1 | | | | 135.1 | |
| Buildings & Improvements | 773.4 | 670.2 | | | 773.4 | 670.2 |
| Equipment & Other | 6.9 | 8.8 | | | 6.9 | 8.8 |
| Furniture & Fixtures | 0 | 0 | | | 0 | 0 |
| Computers | 105.6 | 137.4 | \$ 283.6 | \$ 114.3 | 389.2 | 251.7 |
| Vehicles | 318.1 | 417.3 | | | 318.1 | 417.3 |
| Total Capital Assets | <u>\$ 1,750.7</u> | <u>\$ 1,645.3</u> | <u>\$ 283.6</u> | <u>\$ 114.3</u> | <u>\$ 2,034.3</u> | <u>\$ 1,759.6</u> |

Discussions of Currently Known Facts, Decisions, or Conditions

IHLS's FY2018 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 342 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.

The System Area and Per Capita Grant funding for FY2018 was \$3,400,700.32. At the end of fiscal year, IHLS was still owed \$1,059,229.08.

A prudent business practices framework will continue to guide policies and financial decisions, providing a more sustainable model. As IHLS moves into FY2018, it will continue to balance staying within the priority areas established by the Illinois State Library, providing quality service based on identified member needs, and remaining fiscally responsible (knowing the financial realities of available funding).

Request for Information

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

ILLINOIS HEARTLAND LIBRARY SYSTEM

STATEMENT OF NET POSITION

JUNE 30, 2018

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| <u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u> | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 5,163,806 | \$ 1,320,515 | \$ 6,484,321 |
| Accounts Receivable | 1,116,403 | 25,776 | 1,142,179 |
| Due from Other Funds | 50 | (50) | |
| Prepaid Expenses | 20,145 | 166,676 | 186,821 |
| Total Current Assets | <u>\$ 6,300,404</u> | <u>\$ 1,512,917</u> | <u>\$ 7,813,321</u> |
| Noncurrent Assets: | | | |
| Net Pension Asset | \$ 2,179,691 | \$ 864,261 | \$ 3,043,952 |
| Capital Assets: | | | |
| Not Being Depreciated | 546,702 | | 546,702 |
| Being Depreciated - | | | |
| Net of Accumulated Depreciation | 1,204,097 | 283,615 | 1,487,712 |
| Total Noncurrent Assets | <u>\$ 3,930,490</u> | <u>\$ 1,147,876</u> | <u>\$ 5,078,366</u> |
| Total Assets | <u>\$ 10,230,894</u> | <u>\$ 2,660,793</u> | <u>\$ 12,891,687</u> |
| Deferred Outflows of Resources: | | | |
| Deferred Outflows from Pension Contributions | \$ 819,352 | \$ 307,747 | \$ 1,127,099 |
| Total Deferred Outflows of Resources | <u>\$ 819,352</u> | <u>\$ 307,747</u> | <u>\$ 1,127,099</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 11,050,246</u> | <u>\$ 2,968,540</u> | <u>\$ 14,018,786</u> |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u> | | | |
| Current Liabilities: | | | |
| Accounts Payable | \$ 224,877 | \$ 21,479 | \$ 246,356 |
| Accrued Expenses | 59,966 | 19,563 | 79,529 |
| Total Current Liabilities | <u>\$ 284,843</u> | <u>\$ 41,042</u> | <u>\$ 325,885</u> |
| Long-Term Liabilities: | | | |
| Accrued Compensated Absences | \$ 151,064 | \$ 99,923 | \$ 250,987 |
| Total Liabilities | <u>\$ 435,907</u> | <u>\$ 140,965</u> | <u>\$ 576,872</u> |
| Deferred Inflows of Resources: | | | |
| Deferred Inflows of Resources Related to Net Pension Asset | \$ 2,080,066 | \$ 849,604 | \$ 2,929,670 |
| Total Deferred Inflows of Resources | <u>\$ 2,080,066</u> | <u>\$ 849,604</u> | <u>\$ 2,929,670</u> |
| Net Position: | | | |
| Net Investment in Capital Assets | \$ 1,750,799 | \$ 283,615 | \$ 2,034,414 |
| Restricted | | | |
| Grant Expenditures | 15,630 | | 15,630 |
| Unrestricted | 6,767,844 | 1,694,356 | 8,462,200 |
| Total Net Position | <u>\$ 8,534,273</u> | <u>\$ 1,977,971</u> | <u>\$ 10,512,244</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | <u>\$ 11,050,246</u> | <u>\$ 2,968,540</u> | <u>\$ 14,018,786</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, 2018

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense)/Revenue | | |
|----------------------------------|---------------------|----------------------------|--|--|----------------------------|-----------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities: | | | | | | | |
| General Library Services | \$ 3,297,756 | \$ 246,064 | \$ 3,837,435 | | \$ 785,743 | | \$ 785,743 |
| Business-Type Activities: | | | | | | | |
| Computer Development | 1,737,221 | 1,521,692 | 54,344 | | | \$ (161,185) | (161,185) |
| | <u>\$ 5,034,977</u> | <u>\$ 1,767,756</u> | <u>\$ 3,891,779</u> | <u>\$ 0</u> | <u>\$ 785,743</u> | <u>\$ (161,185)</u> | <u>\$ 624,558</u> |
| General Revenues: | | | | | | | |
| Reimbursements | | | | | \$ 12,319 | | \$ 12,319 |
| Investment Income | | | | | 39,921 | \$ 12,205 | 52,126 |
| Miscellaneous | | | | | 13,672 | 635 | 14,307 |
| Pension Income | | | | | | 19,300 | 19,300 |
| Internal Activity - Transfers | | | | | (250,000) | 250,000 | |
| Total General Revenues | | | | | <u>\$ (184,088)</u> | <u>\$ 282,140</u> | <u>\$ 98,052</u> |
| Change in Net Position | | | | | \$ 601,655 | \$ 120,955 | \$ 722,610 |
| Net Position - Beginning of Year | | | | | 7,932,618 | 1,857,016 | 9,789,634 |
| Net Position - End of Year | | | | | <u>\$ 8,534,273</u> | <u>\$ 1,977,971</u> | <u>\$ 10,512,244</u> |

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

| | Major Funds | | | Non-Major Governmental Funds | Total Governmental Funds |
|-------------------------------------|---------------------|----------------------|-----------------------------|------------------------------------|--------------------------------|
| | General Fund | CMC Grant Fund | Capital Projects Fund | | |
| ASSETS: | | | | | |
| Cash and Cash Equivalents | \$ 4,143,400 | \$ 24,652 | \$ 988,949 | \$ 6,805 | \$ 5,163,806 |
| Due from Other Funds | 1,066 | | | | 1,066 |
| Accounts Receivable | 1,116,403 | | | | 1,116,403 |
| Prepaid Expenses | 20,144 | | | | 20,144 |
| Total Assets | <u>\$ 5,281,013</u> | <u>\$ 24,652</u> | <u>\$ 988,949</u> | <u>\$ 6,805</u> | <u>\$ 6,301,419</u> |
| LIABILITIES AND FUND BALANCE | | | | | |
| Liabilities: | | | | | |
| Accounts Payable | \$ 214,814 | \$ 7,297 | | \$ 2,766 | \$ 224,877 |
| Due to Other Funds | | 131 | | 885 | 1,016 |
| Accrued Expenses | 53,889 | 3,568 | | 2,509 | 59,966 |
| Total Liabilities | <u>\$ 268,703</u> | <u>\$ 10,996</u> | <u>\$ 0</u> | <u>\$ 6,160</u> | <u>\$ 285,859</u> |
| Fund Balances: | | | | | |
| Non-Spendable | \$ 20,144 | | | | \$ 20,144 |
| Restricted | | \$ 13,656 | | \$ 1,974 | 15,630 |
| Assigned | | | \$ 988,949 | | 988,949 |
| Unassigned | 4,992,166 | | | (1,329) | 4,990,837 |
| Total Fund Balances | <u>\$ 5,012,310</u> | <u>\$ 13,656</u> | <u>\$ 988,949</u> | <u>\$ 645</u> | <u>6,015,560</u> |
| Total Liabilities and Fund Balances | <u>\$ 5,281,013</u> | <u>\$ 24,652</u> | <u>\$ 988,949</u> | <u>\$ 6,805</u> | <u>\$ 6,301,419</u> |

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total Fund Balance, Governmental Funds \$ 6,015,560

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 | |
| Assets in Progress | 135,035 | |
| Buildings and Improvements, net of \$1,480,281 accumulated depreciation | 773,419 | |
| Equipment and Other, net of \$1,996,771 accumulated depreciation | 6,950 | |
| Furniture and Fixtures, net of \$391,590 accumulated depreciation | 0 | |
| Computers, net of \$963,633 accumulated depreciation | 105,588 | |
| Automobiles, net of \$645,945 accumulated depreciation | <u>318,140</u> | |
| Total | | 1,750,799 |

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

918,978

Balance of Compensated Absences at June 30, 2018

(151,064)

Total Net Position of Governmental Activities

\$ 8,534,273

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, 2018

| | Major Fund | | | Non-Major | Total |
|--|---------------------|-------------------|-------------------|--------------------|---------------------|
| | General | CMC | Capital | Governmental | Governmental |
| | Fund | Grant | Projects | Funds | Funds |
| | | Fund | Fund | | |
| REVENUES: | | | | | |
| State Grants: | | | | | |
| Area and Per Capita - State Allotment | \$ 2,740,978 | | | | \$ 2,740,978 |
| Area and Per Capita - Federal Pass Through | 659,722 | | | | 659,722 |
| Illinois State Library | | \$ 293,028 | | \$ 143,707 | 436,735 |
| Fees for Services and Material | 246,064 | | | | 246,064 |
| Reimbursements | 12,319 | | | | 12,319 |
| Investment Income | 34,381 | | \$ 5,540 | | 39,921 |
| Other Revenue | 13,403 | | | 270 | 13,673 |
| Total Revenues | <u>\$ 3,706,867</u> | <u>\$ 293,028</u> | <u>\$ 5,540</u> | <u>\$ 143,977</u> | <u>\$ 4,149,412</u> |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General Library Services: | | | | | |
| Personnel Service | \$ 1,913,822 | \$ 181,261 | | \$ 125,728 | \$ 2,220,811 |
| Contractual Services | 118,966 | 103,463 | | 30,580 | 253,009 |
| Supplies and Materials | 547,675 | 8,610 | | 18,432 | 574,717 |
| Member Library Reimbursement Expense | 442 | | | 15,400 | 15,842 |
| Capital Outlay | 392,308 | | | | 392,308 |
| Total Expenditures | <u>\$ 2,973,213</u> | <u>\$ 293,334</u> | <u>\$ 0</u> | <u>\$ 190,140</u> | <u>\$ 3,456,687</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>733,654</u> | <u>(306)</u> | <u>5,540</u> | <u>(46,163)</u> | <u>692,725</u> |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers In (Out) | \$ (231,072) | | | \$ (18,928) | \$ (250,000) |
| Gain from Disposal of Capital Assets | 26,715 | | | | 26,715 |
| Total Other Financing Sources (Uses) | <u>\$ (204,357)</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ (18,928)</u> | <u>\$ (223,285)</u> |
| NET CHANGE IN FUND BALANCE | 529,297 | (306) | 5,540 | (65,091) | 469,440 |
| FUND BALANCE - BEGINNING OF YEAR | <u>4,483,013</u> | <u>13,962</u> | <u>983,409</u> | <u>65,736</u> | <u>5,546,120</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 5,012,310</u> | <u>\$ 13,656</u> | <u>\$ 988,949</u> | <u>\$ 645</u> | <u>\$ 6,015,560</u> |

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

| | |
|--|-------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ 469,440 |
| 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 capital outlay exceeds depreciation expense in the current period, including gains or losses on disposition of assets. | 105,410 |
| 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 | (20,446) |
| Changes in net pension asset/liability, deferred outflows and deferred inflows related to pension assets/liabilities are reported only in the Statement of Activities | 47,251 |
| Change in Net Position of Governmental Activities | <u>\$ 601,655</u> |

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2018

| | <u>Computer Development Fund</u> |
|--|--------------------------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES: | |
| Current Assets: | |
| Cash and Cash Equivalents | \$ 1,320,515 |
| Accounts Receivable | 25,776 |
| Prepaid Expenses | 166,676 |
| Total Current Assets | <u>\$ 1,512,967</u> |
| Noncurrent Assets: | |
| Net Pension Asset | \$ 864,261 |
| Capital Assets: | |
| Depreciable Capital Assets | \$ 2,932,829 |
| Accumulated Depreciation | <u>(2,649,214)</u> |
| Total Capital Assets | 283,615 |
| Total Assets | <u>\$ 2,660,843</u> |
| Deferred Outflows of Resources: | |
| Deferred Outflow from Pension Contribution | \$ 307,747 |
| Total Deferred Outflows of Resources | <u>\$ 307,747</u> |
| Total Assets and Deferred Outflows of Resources | <u><u>\$ 2,968,590</u></u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION: | |
| Current Liabilities: | |
| Accounts Payable | \$ 21,479 |
| Due to Other Funds | 50 |
| Accrued Expenses | 19,563 |
| Total Current Liabilities | <u>\$ 41,092</u> |
| Long-Term Liabilities: | |
| Compensated Absences Payable | \$ 99,923 |
| Total Liabilities | <u>\$ 141,015</u> |
| Deferred Inflows of Resources: | |
| Deferred Inflows of Resources Related to Net Pension Asset | \$ 849,604 |
| Total Deferred Inflows of Resources | <u>\$ 849,604</u> |
| Net Position: | |
| Net Investment in Capital Assets | \$ 283,615 |
| Unrestricted | 1,694,356 |
| Total Net Position | <u>\$ 1,977,971</u> |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | <u><u>\$ 2,968,590</u></u> |

The accompanying notes are an integral part of the financial statements

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018

| | <u>Computer Development Fund</u> |
|--------------------------------------|--------------------------------------|
| OPERATING REVENUES: | |
| Charges for Services | \$ 1,302,896 |
| Grants | 54,344 |
| Member Library Reimbursement Revenue | 218,796 |
| Pension Income | 19,300 |
| Miscellaneous Income | 635 |
| Total Operating Revenues | <u>\$ 1,595,971</u> |
| OPERATING EXPENSES: | |
| Personnel Services | \$ 1,007,673 |
| Contractual Services | 286,655 |
| Supplies and Materials | 105,282 |
| Member Library Reimbursement Expense | 241,867 |
| Depreciation | 95,744 |
| Total Operating Expenses | <u>\$ 1,737,221</u> |
| NET OPERATING INCOME (LOSS) | \$ (141,250) |
| OTHER INCOME (EXPENSE) | |
| Investment Income | \$ 12,205 |
| Total Other Income (Expense) | <u>\$ 12,205</u> |
| NET INCOME (LOSS) | \$ (129,045) |
| TRANSFERS IN | <u>250,000</u> |
| CHANGE IN NET POSITION | 120,955 |
| NET POSITION - BEGINNING OF YEAR | <u>1,857,016</u> |
| NET POSITION - END OF YEAR | <u><u>\$ 1,977,971</u></u> |

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018

| | Computer Development Fund |
|--|------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Receipts from Customers | \$ 1,500,018 |
| Receipts from Interfund Services Provided | 26,639 |
| Payments to Vendors | (615,127) |
| Payments to Employees | (990,147) |
| Net Cash Provided by (Used in) Operating Activities | <u>\$ (78,617)</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | |
| Operating Transfers From (To) Other Funds | \$ 250,000 |
| (Increase) Decrease in Due from Other Funds | 82 |
| Increase (Decrease) in Due to Other Funds | (1,113) |
| Net Cash Provided by (Used in) Noncapital Financing Activities | <u>\$ 248,969</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Payments for Capital Acquisitions | <u>\$ (265,070)</u> |
| Net Cash Provided by (Used in) Capital and Related Financing Activities | <u>\$ (265,070)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Investment Income | <u>\$ 12,205</u> |
| NET INCREASE (DECREASE) IN CASH | (82,513) |
| CASH, BEGINNING OF YEAR | <u>1,403,028</u> |
| CASH, END OF YEAR | <u><u>\$ 1,320,515</u></u> |
| RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: | |
| Net Operating Income (Loss) | \$ (141,250) |
| Adjustment to Reconcile Net Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities: | |
| Depreciation | 95,744 |
| (Increase) Decrease in Assets: | |
| Accounts Receivable | 4,791 |
| Prepaid Expenses | 6,401 |
| Deferred Outflows of Resources | 165,434 |
| Increase (Decrease) in Liabilities: | |
| Accounts Payable | 19,422 |
| Deferred Inflows of Resources | 840,134 |
| Net Pension Asset/Liability | (1,024,869) |
| Accrued Expenses | 611 |
| Grants Received in Advance | (61,205) |
| Compensated Absences Payable | 16,170 |
| NET CASH PROVIDED (USED IN) BY OPERATING ACTIVITIES: | <u><u>\$ (78,617)</u></u> |

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF NET POSITION
FIDUCIARY FUND
JUNE 30, 2018

| | |
|---------------------------|-------------------------------|
| | <u>OCLC - Agency Fund</u> |
| ASSETS | |
| Current Assets: | |
| Cash and Cash Equivalents | \$ 2,598,692 |
| LIABILITIES | |
| Current Liabilities: | |
| Due To Other Agencies | <u>\$ 2,598,692</u> |
| NET POSITION | <u><u>\$ 0</u></u> |

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, 2018

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, 2018

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, 2018

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: Growing SHARE Fund, Plinkit Project Fund, OCLC Grant Fund, Marc of Quality Grant Fund, and SWAYS 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 one fiduciary fund, the OCLC-Agency Fund, which is used to account for funds held in trust for the ILLINET OCLC.

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018 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, 2018, 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, 2018

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, 2018

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 and Plinkit Project 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 \$12,319 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, 2018

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 had nonspendable funds of \$20,144 at fiscal year end June 30, 2018.

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 and Local Grants

Proceeds from state and local grants and the related expenditures have been included in the CMC Grant Fund, and SWAYS Fund. At June 30, 2018, revenue received exceeded expenditures disbursed from state and local grants, resulting in a restricted fund balance of \$15,630.

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018.

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 \$988,949, as of June 30, 2018.

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 \$4,992,166, and (\$1,329), respectively, as of June 30, 2018.

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, 2018

NOTE 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2018, are classified in the accompanying financial statements as follows:

| | |
|---------------------------|---------------------|
| Cash and Cash Equivalents | <u>\$ 6,484,321</u> |
| Total | <u>\$ 6,484,321</u> |
| Fiduciary Funds | |
| Cash and Cash Equivalents | <u>\$ 2,598,692</u> |
| Total | <u>\$ 2,598,692</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 \$3,965,542 deposited into accounts with the Illinois Funds. The investment pool has earned Standard and Poor's highest rating (AAAm).

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, 2018.

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, 2018, was \$3,965,542. 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, 2018

NOTE 4. RECEIVABLES

At June 30, 2018, receivables were as follows for the governmental funds and governmental activities:

| | <u>Receivables</u> |
|-------------------|---------------------|
| Area & Per Capita | \$ 1,095,500 |
| Other | <u>20,903</u> |
| Total | <u>\$ 1,116,403</u> |

At June 30, 2018, receivables were as follows for the business-type activities and enterprise fund:

| | <u>Receivables</u> |
|-------|--------------------|
| Other | \$ 25,776 |
| Total | <u>\$ 25,776</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, 2018:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|----------------------------|------------------------------|-------------------|-------------------|---------------------------|
| Governmental Activities: | | | | |
| Not Being Depreciated: | | | | |
| Land | \$ 411,667 | | | \$ 411,667 |
| Assets in Progress | | \$ 135,035 | | 135,035 |
| Subtotal | <u>\$ 411,667</u> | <u>\$ 135,035</u> | <u>\$ 0</u> | <u>\$ 546,702</u> |
| Other Capital Assets: | | | | |
| Automobiles | \$ 1,111,624 | \$ 61,650 | \$ 209,189 | \$ 964,085 |
| Buildings and Improvements | 2,085,558 | 174,633 | 6,491 | 2,253,700 |
| Equipment and Other | 2,003,721 | | | 2,003,721 |
| Furniture and Fixtures | 391,590 | | | 391,590 |
| Computers | <u>1,052,222</u> | <u>16,999</u> | | <u>1,069,221</u> |
| Subtotal | <u>\$ 6,644,715</u> | <u>\$ 253,282</u> | <u>\$ 215,680</u> | <u>\$ 6,682,317</u> |
| Accumulated Depreciation: | | | | |
| Automobiles | \$ 694,332 | \$ 115,850 | \$ 164,237 | \$ 645,945 |
| Buildings and Improvements | 1,415,299 | 68,877 | 3,895 | 1,480,281 |
| Equipment and Other | 1,994,918 | 1,853 | | 1,996,771 |
| Furniture and Fixtures | 391,590 | | | 391,590 |
| Computers | <u>914,851</u> | <u>48,782</u> | | <u>963,633</u> |
| Subtotal | <u>\$ 5,410,990</u> | <u>\$ 235,362</u> | <u>\$ 168,132</u> | <u>\$ 5,478,220</u> |
| Net Other Capital Assets | <u>\$ 1,233,725</u> | <u>\$ 17,920</u> | <u>\$ 47,548</u> | <u>\$ 1,204,097</u> |
| Net Capital Assets | <u>\$ 1,645,392</u> | <u>\$ 152,955</u> | <u>\$ 47,548</u> | <u>\$ 1,750,799</u> |

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 5. CAPITAL ASSETS (CONTINUED)

Current year depreciation expense was charged to the following function:

General Library Services \$235,362

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, 2018:

| | <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 | | | \$ 1,623,650 |
| Computers | <u>1,044,109</u> | <u>\$ 265,070</u> | | <u>1,309,179</u> |
| Subtotal | <u>\$ 2,667,759</u> | <u>\$ 265,070</u> | <u>\$ 0</u> | <u>\$ 2,932,829</u> |
| Accumulated Depreciation: | | | | |
| Equipment and Other | \$ 1,623,650 | | | \$ 1,623,650 |
| Computers | <u>929,820</u> | <u>\$ 95,744</u> | | <u>1,025,564</u> |
| Subtotal | <u>\$ 2,553,470</u> | <u>\$ 95,744</u> | <u>\$ 0</u> | <u>\$ 2,649,214</u> |
| Net Capital Assets | <u>\$ 114,289</u> | <u>\$ 169,326</u> | <u>\$ 0</u> | <u>\$ 283,615</u> |

Current year depreciation expense was charged to the following function:

Computer Development \$95,744

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, 2018:

| | <u>June 30, 2017</u> | <u>Current Year Change</u> | <u>June 30, 2018</u> | <u>Due Within One Year</u> |
|----------------------|--------------------------|--------------------------------|--------------------------|--------------------------------|
| Accrued | | | | |
| Compensated Absences | <u>\$ 130,618</u> | <u>\$ 20,446</u> | <u>\$ 151,064</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, 2018:

| | <u>June 30, 2017</u> | <u>Current Year Change</u> | <u>June 30, 2018</u> | <u>Due Within One Year</u> |
|----------------------|--------------------------|--------------------------------|--------------------------|--------------------------------|
| Accrued | | | | |
| Compensated Absences | <u>\$ 83,753</u> | <u>\$ 16,170</u> | <u>\$ 99,923</u> | <u>\$ 0</u> |

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables at June 30, 2018, are summarized below:

| | <u>Due From Other Funds</u> | <u>Due To Other Funds</u> |
|---------------------------|---------------------------------|-------------------------------|
| Governmental Funds: | | |
| General Fund | \$ 1,066 | |
| OCLC Fund | | \$ 885 |
| CMC Grant Fund | | 131 |
| Proprietary Fund: | | |
| Computer Development Fund | | 50 |
| Total | <u>\$ 1,066</u> | <u>\$ 1,066</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, 2018, are summarized below:

| | <u>Transfer In</u> | <u>Transfer Out</u> |
|---------------------------|--------------------|---------------------|
| Governmental Funds: | | |
| General Fund | \$ 18,928 | \$ 250,000 |
| Plinkit Project Fund | | 17,050 |
| Growing SHARE Fund | | 1,878 |
| Proprietary Fund: | | |
| Computer Development Fund | 250,000 | |
| Total | <u>\$ 268,928</u> | <u>\$ 268,928</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, 2018, 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 July 2018 and April 2020. 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, 2018

NOTE 9. LEASES (CONTINUED)

| Fiscal Year Ending June 30, | |
|--------------------------------|------------------|
| 2019 | \$ 11,680 |
| 2020 | 4,229 |
| 2021 | 0 |
| 2022 | 0 |
| 2023 | 0 |
| Total | <u>\$ 15,909</u> |

Total rental expense for operating leases for the year ended June 30, 2018, was \$61,328.

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, 2018, 67 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, 2018, total charges for services revenue earned from these organizations was \$180,703.

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 Financial Report that includes financial statements, detailed information about the pension plan's fiduciary 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, 2018

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, 2017, the following employees were covered by the Plan:

| | |
|--|------------|
| Active Employees | 37 |
| Inactive employees or beneficiaries currently receiving benefits | 213 |
| Inactive employees entitled to but not yet receiving benefits | <u>92</u> |
| Total | <u>342</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 2017 was 10.46 percent. For the fiscal year ended June 30, 2018, the System contributed \$180,987 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, 2017, 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, 2017, 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, 2018

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 | 3.39% 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-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, 2017 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, 2018

NOTE 13. DEFINED BENEFIT PENSION PLAN (CONTINUED)

| Asset Class | Target Allocation | Return 12/31/2017 | Projected Returns/Risk | |
|------------------------|----------------------|----------------------|------------------------|-----------------------|
| | | | One Year Arithmetic | Ten Year Geometric |
| Equities | 37.00% | 19.60% | 8.30% | 6.85% |
| International Equities | 18.00% | 27.53% | 8.45% | 6.75% |
| Fixed Income | 28.00% | 4.67% | 3.05% | 3.00% |
| Real Estate | 9.00% | 9.10% | 6.90% | 5.75% |
| Alternatives | 7.00% | | | |
| Private Equity | | N/A | 12.45% | 7.35% |
| Hedge Funds | | N/A | 5.35% | 5.05% |
| Commodities | | N/A | 4.25% | 2.65% |
| Cash Equivalents | 1.00% | N/A | 2.25% | 2.25% |
| Total | 100.00% | | | |

Discount Rate. The discount rate used to measure the total pension liability was 7.5 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 7.5%, the municipal bond rate is 3.31%, and the resulting single discount rate is 7.5%.

Changes in System's Net Pension Liability. Changes in the System's net pension liability for the year ended December 31, 2017, were as follows:

| | Total Pension Pension Liability | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
|---|---------------------------------------|-----------------------------------|----------------------------------|
| Balance, December 31, 2016 | \$ 32,059,109 | \$ 31,569,030 | \$ 490,079 |
| Changes for the year: | | | |
| Service Cost | 186,886 | | 186,886 |
| Interest | 2,331,743 | | 2,331,743 |
| Difference between expected and actual experience | 504,869 | | 504,869 |
| Changes in assumptions | (997,797) | | (997,797) |
| Contributions-employees | | 84,381 | (84,381) |
| Contributions- employer | | 202,868 | (202,868) |
| Net investment income | | 5,935,957 | (5,935,957) |
| Benefit payments including refunds of employee Contributions | (2,125,298) | (2,125,298) | 0 |
| Other (Net Transfer) | | (663,474) | 663,474 |
| Net Changes | (99,597) | 3,434,434 | (3,534,031) |
| Balance, December 31, 2017 | \$ 31,959,512 | \$ 35,003,464 | \$ (3,043,952) |

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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 7.5 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 (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

| | <u>Discount Rate</u> | <u>Net Pension Liability (Asset)</u> |
|-----------------------|----------------------|--------------------------------------|
| 1% decrease | 6.50% | \$ 41,074 |
| Current discount rate | 7.50% | (3,043,952) |
| 1% increase | 8.50% | (5,641,388) |

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, 2018, the System recognized pension expense of \$114,604. At June 30, 2018, 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 | | |
| Changes of assumptions | | |
| Net difference between projected and actual earnings | | |
| on Plan investments | \$ 1,041,396 | \$ 2,929,670 |
| Contributions after Measurement Date | 85,703 | |
| Total | <u>\$ 1,127,099</u> | <u>\$ 2,929,670</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> |
|------------|---------------------------------|
| 2018 | \$ (97,965) |
| 2019 | (269,668) |
| 2020 | (702,519) |
| 2021 | (732,419) |
| 2022 | 0 |
| Thereafter | 0 |
| Total | <u>\$ (1,802,571)</u> |

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 14. EXCESS OF EXPENDITURES OVER BUDGET

The CMC Fund, Plinkit Project Fund, OCLC Grant Fund, and SWAYS Fund had excess expenditures over budget of \$306, \$24,414, \$1,119, and \$182, for the fiscal year ended June 30, 2018.

NOTE 15. NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 75 "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*." The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017.

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, 2018, no retirees were covered under COBRA coverage and no retirees were currently participating in the health insurance coverage. There were five 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, 2018.

NOTE 16. 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.

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

| | Budget | | Actual | (Actual - Final Budget) |
|--|---------------------|---------------------|---------------------|----------------------------|
| | Original | Final | | |
| REVENUES: | | | | |
| State Grants: | | | | |
| Area and Per Capita - State Allotment | \$ 2,737,683 | \$ 2,737,683 | \$ 2,740,978 | \$ 3,295 |
| Area and Per Capita - Federal Pass Through | 626,746 | 626,746 | 659,722 | 32,976 |
| Fees for Services and Material | 245,417 | 245,417 | 246,064 | 647 |
| Reimbursements | 12,319 | 12,319 | 12,319 | |
| Investment Income | 13,212 | 13,212 | 34,381 | 21,169 |
| Other Revenue | 4,110 | 4,110 | 13,403 | 9,293 |
| Total Revenues | <u>\$ 3,639,487</u> | <u>\$ 3,639,487</u> | <u>\$ 3,706,867</u> | <u>\$ 67,380</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Library Services: | | | | |
| Personnel Service | \$ 2,139,776 | \$ 2,139,776 | \$ 1,913,822 | \$ (225,954) |
| Contractual Services | 169,444 | 169,444 | 118,966 | (50,478) |
| Supplies and Materials | 509,349 | 509,349 | 547,675 | 38,326 |
| Member Library Reimbursement Expense | | | 442 | 442 |
| Capital Outlay | 257,315 | 257,315 | 392,308 | 134,993 |
| Total Expenditures | <u>\$ 3,075,884</u> | <u>\$ 3,075,884</u> | <u>\$ 2,973,213</u> | <u>\$ (102,671)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>563,603</u> | <u>563,603</u> | <u>733,654</u> | <u>170,051</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers Out | \$ (250,000) | \$ (250,000) | \$ (250,000) | \$ 0 |
| Transfers In | | | 18,928 | 18,928 |
| Gain on Disposal of Fixed Assets | | | 26,715 | 26,715 |
| Total Other Financing Sources (Uses) | <u>\$ (250,000)</u> | <u>\$ (250,000)</u> | <u>\$ (204,357)</u> | <u>\$ 45,643</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ 313,603</u> | <u>\$ 313,603</u> | <u>529,297</u> | <u>\$ 215,694</u> |
| FUND BALANCE - BEGINNING OF YEAR | | | <u>4,483,013</u> | |
| FUND BALANCE - END OF YEAR | | | <u>\$ 5,012,310</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, 2018

| | Budget | | Actual | Variance (Actual - Final Budget) |
|--------------------------------|-------------------|-------------------|-------------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| State Grants: | | | | |
| Illinois State Library | \$ 293,028 | \$ 293,028 | \$ 293,028 | \$ 0 |
| Total Revenues | <u>\$ 293,028</u> | <u>\$ 293,028</u> | <u>\$ 293,028</u> | <u>\$ 0</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Library Services: | | | | |
| Personnel Service | \$ 179,430 | \$ 179,430 | \$ 181,261 | \$ 1,831 |
| Contractual Services | 106,738 | 106,738 | 103,463 | (3,275) |
| Supplies and Materials | 6,860 | 6,860 | 8,610 | 1,750 |
| Total Expenditures | <u>\$ 293,028</u> | <u>\$ 293,028</u> | <u>\$ 293,334</u> | <u>\$ 306</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ 0</u> | <u>\$ 0</u> | (306) | <u>\$ (306)</u> |
| FUND BALANCE BEGINNING OF YEAR | | | <u>13,962</u> | |
| FUND BALANCE - END OF YEAR | | | <u>\$ 13,656</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, 2018

| | Budget | | Actual | Variance (Actual - Final Budget) |
|----------------------------------|----------|-------|------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment Income | | | \$ 5,540 | \$ (5,540) |
| Total Revenues | \$ 0 | \$ 0 | \$ 5,540 | \$ (5,540) |
| EXPENDITURES: | | | | |
| Capital Outlay | | | | |
| Total Expenditures | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| NET CHANGE IN FUND BALANCE | \$ 0 | \$ 0 | 5,540 | \$ (5,540) |
| FUND BALANCE - BEGINNING OF YEAR | | | 983,409 | |
| FUND BALANCE - END OF YEAR | | | \$ 988,949 | |

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

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, OCLC Grant, and Growing SHARE Funds, 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

The CMC Fund, Plinkit Project Fund, OCLC Grant Fund, and SWAYS Fund had expenditures over budget of \$306, \$24,414, \$1,119, and \$182, for the fiscal year ended June 30, 2018.

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, | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Total Pension Liability | | | | | | | | | | |
| Service Cost | \$ 186,886 | \$ 240,821 | \$ 208,201 | \$ 235,054 | | | | | | |
| Interest on the Total Pension Liability | 2,331,743 | 2,314,570 | 2,234,972 | 2,109,609 | | | | | | |
| Benefit Changes | 0 | 0 | 0 | 0 | | | | | | |
| Difference between Expected and Actual Experience | 504,869 | (214,774) | 616,002 | 139,024 | | | | | | |
| Assumption Changes | (997,797) | 0 | 0 | 1,138,977 | | | | | | |
| Benefit Payments and Refunds | (2,125,298) | (2,044,060) | (1,984,300) | (1,891,157) | | | | | | |
| Net Change in Total Pension Liability | \$ (99,597) | 296,557 | 1,074,875 | 1,731,507 | | | | | | |
| Total Pension Liability - Beginning | 32,059,109 | 31,762,552 | 30,687,677 | 28,956,169 | | | | | | |
| Total Pension Liability - Ending (a) | \$ 31,959,512 | \$ 32,059,109 | \$ 31,762,552 | \$ 30,687,676 | | | | | | |
| Plan Fiduciary Net Position | | | | | | | | | | |
| Employer Contributions | \$ 202,868 | \$ 273,509 | \$ 325,404 | 442,904 | | | | | | |
| Employee Contributions | 84,381 | 94,367 | 132,256 | 91,501 | | | | | | |
| Pension Plan Net Investment Income | 5,935,957 | 2,104,214 | 152,703 | 1,819,805 | | | | | | |
| Benefit Payments and Refunds | (2,125,298) | (2,044,060) | (1,984,300) | (1,891,157) | | | | | | |
| Other | (663,474) | 506,944 | 704,141 | 329,556 | | | | | | |
| Net Change in Plan Fiduciary Net Position | 3,434,434 | 934,974 | (669,796) | 792,609 | | | | | | |
| Plan Fiduciary Net Position - Beginning | 31,569,030 | 30,634,056 | 31,303,852 | 30,511,243 | | | | | | |
| Plan Fiduciary Net Position - Ending (b) | \$ 35,003,464 | \$ 31,569,030 | \$ 30,634,056 | \$ 31,303,852 | | | | | | |
| Net Pension Liability/(Asset) -Ending (a)-(b) | (3,043,952) | 490,079 | 1,128,496 | (616,176) | | | | | | |
| Plan Fiduciary Net Position as a Percentage | | | | | | | | | | |
| of Total Pension Liability | 109.52% | 98.47% | 96.45% | 102.01% | | | | | | |
| Covered Valuation Payroll | \$ 1,800,090 | \$ 2,018,517 | \$ 2,245,715 | \$ 1,892,045 | | | | | | |
| Net Pension Liability as a Percentage | | | | | | | | | | |
| of Covered Valuation Payroll | (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% |

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 2017 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 2017 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): 26-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 21 years for most employers (two employers were financed over 30 years). |
| Asset Valuation Method | 5-Year smoothed market; 20% corridor |
| Wage Growth | 3.50% |
| Price Inflation | 2.75% - approximate; No explicit price inflation assumption is used in this valuation. |
| Salary Increases | 3.75% to 14.50% 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 2014 valuation pursuant to an experience study of the period 2011-2013. |
| Mortality | For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). 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-2014 (base year 2012). 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-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience. |

Other Information:

Notes There were no benefit changes during the year.

*Based on Valuation Assumptions used in the December 31, 2015 actuarial valuation

ILLINOIS HEARTLAND LIBRARY SYSTEM
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

| | Plinkit Project | OCLC Grant | Marc of Quality Grant | SWAYS | Growing SHARE Fund | Total Non-Major Special Revenue Fund |
|-------------------------------------|--------------------|------------|--------------------------|----------|--------------------------|--|
| ASSETS | | | | | | |
| Cash and Cash Equivalents | | \$ 4,831 | | \$ 1,974 | | \$ 6,805 |
| Total Assets | \$ 0 | \$ 4,831 | \$ 0 | \$ 1,974 | \$ 0 | \$ 6,805 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts Payable | | \$ 2,766 | | | | \$ 2,766 |
| Due to Other Funds | | 885 | | | | 885 |
| Accrued Expenses | | 2,509 | | | | 2,509 |
| Total Liabilities | \$ 0 | \$ 6,160 | \$ 0 | \$ 0 | \$ 0 | \$ 6,160 |
| Fund Balances: | | | | | | |
| Restricted | | | | \$ 1,974 | | \$ 1,974 |
| Unassigned | | \$ (1,329) | | | | (1,329) |
| Total Fund Balances | \$ 0 | \$ (1,329) | \$ 0 | \$ 1,974 | \$ 0 | \$ 645 |
| Total Liabilities and Fund Balances | \$ 0 | \$ 4,831 | \$ 0 | \$ 1,974 | \$ 0 | \$ 6,805 |

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, 2018

| | <u>Plinkit Project</u> | <u>OCLC Grant</u> | <u>Marc of Quality Grant</u> | <u>SWAYS</u> | <u>Growing SHARE Fund</u> | <u>Total Non-Major Special Revenue Funds</u> |
|--|----------------------------|-------------------|--------------------------------------|-----------------|-----------------------------------|--|
| REVENUES: | | | | | | |
| State Grants: | | | | | | |
| Illinois State Library | | \$ 135,507 | \$ 8,200 | | | \$ 143,707 |
| Other | | | | \$ 270 | | 270 |
| Total Revenues | <u>\$ 0</u> | <u>\$ 135,507</u> | <u>\$ 8,200</u> | <u>\$ 270</u> | <u>\$ 0</u> | <u>\$ 143,977</u> |
| EXPENDITURES: | | | | | | |
| General Library Services: | | | | | | |
| Personnel Service | | \$ 125,728 | | | | \$ 125,728 |
| Contractual Services | | 22,198 | \$ 8,200 | \$ 182 | | 30,580 |
| Supplies and Materials | \$ 9,014 | 9,418 | | | | 18,432 |
| Reimbursement Expense | 15,400 | | | | | 15,400 |
| Total Expenditures | <u>\$ 24,414</u> | <u>\$ 157,344</u> | <u>\$ 8,200</u> | <u>\$ 182</u> | <u>\$ 0</u> | <u>\$ 190,140</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (24,414) | (21,837) | 0 | 88 | 0 | (46,163) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers-In (Out) | <u>(17,050)</u> | | | | <u>(1,878)</u> | <u>(18,928)</u> |
| NET CHANGE IN FUND BALANCE | (41,464) | (21,837) | 0 | 88 | (1,878) | (65,091) |
| FUND BALANCE, BEGINNING OF YEAR | <u>41,464</u> | <u>20,508</u> | <u>0</u> | <u>1,886</u> | <u>1,878</u> | <u>65,736</u> |
| FUND BALANCE (DEFICIT), END OF YEAR | <u>\$ 0</u> | <u>\$ (1,329)</u> | <u>\$ 0</u> | <u>\$ 1,974</u> | <u>\$ 0</u> | <u>\$ 645</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, 2018

| | Budget | | Actual |
|---|---------------------|---------------------|---------------------|
| | Original | Final | |
| REVENUES: | | | |
| State Grants: | | | |
| Area and Per Capita - State Allotment | \$ 2,737,683 | \$ 2,737,683 | \$ 2,740,978 |
| Area and Per Capita - Federal Pass Through | 626,746 | 626,746 | 659,722 |
| Fees for Services and Material | 245,417 | 245,417 | 246,064 |
| Reimbursements | 12,319 | 12,319 | 12,319 |
| Investment Income | 13,212 | 13,212 | 34,381 |
| Other Revenue | 4,110 | 4,110 | 13,403 |
| Total Revenues | <u>\$ 3,639,487</u> | <u>\$ 3,639,487</u> | <u>\$ 3,706,867</u> |
| EXPENDITURES: | | | |
| General Library Services: | | | |
| Personnel | | | |
| Salaries and Wages | \$ 1,672,142 | \$ 1,672,142 | \$ 1,512,650 |
| Payroll Taxes and Fringe Benefits | 464,409 | 464,409 | 398,211 |
| Recruiting | 3,225 | 3,225 | 2,961 |
| Contractual Services | | | |
| Contractual Agreements | 41,768 | 41,768 | 5,311 |
| Travel, Meetings, and Continuing Education for Staff and Board | 21,530 | 21,530 | 20,403 |
| Professional Services | 43,820 | 43,820 | 22,702 |
| Liability Insurance | 16,261 | 16,261 | 14,691 |
| Telephone and Telecommunications | 16,829 | 16,829 | 14,314 |
| Conferences and Continuing Education Meetings | 17,823 | 17,823 | 18,666 |
| Consulting | | | 2,426 |
| Professional Association Membership Dues | 3,138 | 3,138 | 3,796 |
| Public Relations | 8,275 | 8,275 | 16,657 |
| Supplies and Materials | | | |
| Computer Supplies | 24,199 | 24,199 | 53,710 |
| General Office Supplies and Equipment | 3,050 | 3,050 | 4,750 |
| Postage | 2,000 | 2,000 | 1,030 |
| Delivery Supplies | 7,500 | 7,500 | 9,756 |
| Buildings and Grounds | 229,031 | 229,031 | 206,053 |
| Vehicle Expenses | 234,189 | 234,189 | 250,533 |
| Miscellaneous | 1,740 | 1,740 | 16,437 |
| Equipment Rental, Repair, and Maintenance | 7,640 | 7,640 | 5,406 |
| Member Library Reimbursement Expense | | | 442 |
| Capital Outlay | 257,315 | 257,315 | 392,308 |
| Total Expenditures | <u>\$ 3,075,884</u> | <u>\$ 3,075,884</u> | <u>\$ 2,973,213</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>563,603</u> | <u>563,603</u> | <u>733,654</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers Out | \$ (250,000) | \$ (250,000) | \$ (250,000) |
| Transfers In | | | 18,928 |
| Gain on Disposal of Fixed Assets | | | 26,715 |
| Total Other Financing Sources (Uses) | <u>\$ (250,000)</u> | <u>\$ (250,000)</u> | <u>\$ (204,357)</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ 313,603</u> | <u>\$ 313,603</u> | 529,297 |
| FUND BALANCE - BEGINNING OF YEAR | | | 4,483,013 |
| FUND BALANCE - END OF YEAR | | | <u>\$ 5,012,310</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, 2018

| | Budget | | Actual |
|---|-------------------|-------------------|-------------------|
| | Original | Final | |
| REVENUES: | | | |
| State Grants: | | | |
| Illinois State Library | \$ 293,028 | \$ 293,028 | \$ 293,028 |
| Total Revenues | <u>\$ 293,028</u> | <u>\$ 293,028</u> | <u>\$ 293,028</u> |
| EXPENDITURES: | | | |
| General Library Services: | | | |
| Personnel | \$ 179,430 | \$ 179,430 | \$ 181,261 |
| Contractual Services | | | |
| Contractual Agreements | 29,629 | 29,629 | 26,639 |
| Travel, Meetings, and Continuing Education for Staff and Board | 7,348 | 7,348 | 5,800 |
| Professional Services | 67,000 | 67,000 | 65,878 |
| Professional Association Membership Dues | 25 | 25 | 48 |
| Telephone and Telecommunications | 2,736 | 2,736 | 3,074 |
| Conferences and Continuing Education Meetings | | | 2,024 |
| Supplies and Materials | | | |
| Computer Supplies | 2,260 | 2,260 | 4,927 |
| Vehicle Expenses | 300 | 300 | |
| Supplies, Postage and Printing | 700 | 700 | 1,234 |
| Equipment Rental, Repair, and Maintenance | 3,600 | 3,600 | 2,449 |
| Total Expenditures | <u>\$ 293,028</u> | <u>\$ 293,028</u> | <u>\$ 293,334</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ 0</u> | <u>\$ 0</u> | (306) |
| FUND BALANCE - BEGINNING OF YEAR | | | <u>13,962</u> |
| FUND BALANCE - END OF YEAR | | | <u>\$ 13,656</u> |

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
PLINKIT PROJECT FUND - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2018

| | Budget | | Actual |
|--|----------|-------|-------------|
| | Original | Final | |
| REVENUES: | | | |
| Miscellaneous | \$ 0 | \$ 0 | \$ 0 |
| Total Revenues | \$ 0 | \$ 0 | \$ 0 |
| EXPENDITURES: | | | |
| General Library Services: | | | |
| Supplies and Materials | | | |
| Computer Supplies | | | \$ 9,014 |
| Reimbursement Expense | | | 15,400 |
| Total Expenditures | \$ 0 | \$ 0 | \$ 24,414 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | \$ 0 | \$ 0 | (24,414) |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfer Out | | | \$ (17,050) |
| Total Other Financing Sources (Uses) | \$ 0 | \$ 0 | \$ (17,050) |
| NET CHANGE IN FUND BALANCE | \$ 0 | \$ 0 | (41,464) |
| FUND BALANCE - BEGINNING OF YEAR | | | 41,464 |
| FUND BALANCE - END OF YEAR | | | \$ 0 |

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, 2018

| | Budget | | Actual |
|--|--------------------|--------------------|-------------------|
| | Original | Final | |
| REVENUES: | | | |
| State Grants: | | | |
| Illinois State Library | \$ 135,507 | \$ 135,507 | \$ 135,507 |
| Total Revenues | <u>\$ 135,507</u> | <u>\$ 135,507</u> | <u>\$ 135,507</u> |
| EXPENDITURES: | | | |
| General Library Services: | | | |
| Personnel | \$ 116,690 | \$ 116,690 | \$ 125,728 |
| Contractual Services | | | |
| Contractual Agreements | 18,619 | 18,619 | 12,319 |
| Professional Services | 9,600 | 9,600 | 6,306 |
| Telephone & Telecommunication | 2,736 | 2,736 | 3,573 |
| Supplies and Materials | | | |
| Computer Supplies | 2,500 | 2,500 | 3,717 |
| Equipment Rental, Repair, and Maintenance | 3,780 | 3,780 | 3,076 |
| Supplies, Postage and Printing | 2,300 | 2,300 | 2,596 |
| Miscellaneous | | | 29 |
| Total Expenditures | <u>\$ 156,225</u> | <u>\$ 156,225</u> | <u>\$ 157,344</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | \$ (20,718) | \$ (20,718) | (21,837) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In | \$ 0 | \$ 0 | 0 |
| NET CHANGE IN FUND BALANCE | <u>\$ (20,718)</u> | <u>\$ (20,718)</u> | (21,837) |
| FUND BALANCE - BEGINNING OF YEAR | | | <u>20,508</u> |
| FUND BALANCE (DEFICIT) - END OF YEAR | | | <u>\$ (1,329)</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, 2018

| | Budget | | Actual |
|----------------------------------|-----------------|-----------------|-----------------|
| | Original | Final | |
| REVENUES: | | | |
| Illinois State Library | \$ 8,200 | \$ 8,200 | \$ 8,200 |
| Total Revenues | <u>\$ 8,200</u> | <u>\$ 8,200</u> | <u>\$ 8,200</u> |
| EXPENDITURES: | | | |
| General Library Services: | | | |
| Contractual Services | \$ 8,200 | \$ 8,200 | \$ 8,200 |
| Total Expenditures | <u>\$ 8,200</u> | <u>\$ 8,200</u> | <u>\$ 8,200</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ 0</u> | <u>\$ 0</u> | 0 |
| FUND BALANCE - BEGINNING OF YEAR | | | <u>0</u> |
| FUND BALANCE - END OF YEAR | | | <u>\$ 0</u> |

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SWAYS FUND - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2018

| | Budget | | Actual |
|---|----------|-------|----------|
| | Original | Final | |
| REVENUES: | | | |
| Other Revenue | | | \$ 270 |
| Total Revenues | \$ 0 | \$ 0 | \$ 270 |
| EXPENDITURES: | | | |
| General Library Services: | | | |
| Contractual Services | | | |
| Conferences and Continuing Education Meetings | | | \$ 182 |
| Total Expenditures | \$ 0 | \$ 0 | \$ 182 |
| NET CHANGE IN FUND BALANCE | \$ 0 | \$ 0 | 88 |
| FUND BALANCE - BEGINNING OF YEAR | | | 1,886 |
| FUND BALANCE - END OF YEAR | | | \$ 1,974 |

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GROWING SHARE FUND - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2018

| | <u>Budget</u> | | <u>Actual</u> |
|--|---------------------|---------------------|-----------------------|
| | <u>Original</u> | <u>Final</u> | |
| REVENUES: | | | |
| State Grants: | | | |
| Illinois State Library | | | |
| Total Revenues | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| General Library Services: | | | |
| Personnel Service | | | |
| Contractual Services | | | |
| Supplies and Materials | | | |
| Total Expenditures | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>\$ 0</u> | <u>\$ 0</u> | <u> 0</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers Out | | | <u>(1,878)</u> |
| Total Other Financing Sources (Uses) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ (1,878)</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ 0</u> | <u>\$ 0</u> | <u>(1,878)</u> |
| FUND BALANCE - BEGINNING OF YEAR | | | <u>1,878</u> |
| FUND BALANCE - END OF YEAR | | | <u>\$ 0</u> |

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, 2018

| | Budget | | Actual |
|----------------------------------|----------|-------|------------|
| | Original | Final | |
| REVENUES: | | | |
| Investment Income | | | \$ 5,540 |
| Total Revenues | \$ 0 | \$ 0 | \$ 5,540 |
| EXPENDITURES: | | | |
| Capital Outlay | | | \$ 0 |
| Total Expenditures | \$ 0 | \$ 0 | \$ 0 |
| NET CHANGE IN FUND BALANCE | \$ 0 | \$ 0 | 5,540 |
| FUND BALANCE - BEGINNING OF YEAR | | | 983,409 |
| FUND BALANCE - END OF YEAR | | | \$ 988,949 |

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2018

A. SUMMARY OF AUDITOR'S RESULT

- 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* were disclosed during the audit.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 2018-1 – 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.

Response – 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 RESPONSES
YEAR ENDED JUNE 30, 2017

FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 2017-1 – 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.

Response – 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.