

ILLINOIS HEARTLAND LIBRARY SYSTEM

ANNUAL REPORT

2018

Imagining Tomorrow - Delivering Possibilities Today

HEARTLAND
ed your patrons?

s can
y what
"

Jennifer Hudson
Mac Arthur
High School

What does ILLINOIS HEARTLAND
mean to you?

IHLS pairs students
with the books they
really want!



Illinois Heartland Library System

FY2018 SYSTEM ANNUAL REPORT COVER

ILLINOIS STATE LIBRARY
FY2018 Library System Annual Report Cover Sheet
23 ILAC 3030.270 (Multitype Library System)

1. Narrative Report

- 1.1 Narrative report containing an evaluative description of the system's activities and accomplishments for the year in light of the library system standards for core services specified in 23 ILAC 3030.215 and referring to the activities proposed in the FY2018 System Area and Per Capita Grant application.

2. Financial Report

- 2.1 FY2018 System Audit
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2.3 System Non-Member Fees and Revenue
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Library System: Illinois Heartland Date Reviewed: 9-25-18
Signed:  Signed: 
Board President Executive Director



Illinois Heartland Library System

September 28, 2018

Greg McCormick, Deputy Director
Illinois State Library
Gwendolyn Brooks Building
300 South Second Street
Springfield, IL 62701

Dear Greg,

Anything worth doing is worth doing well.

--Hunter S. Thompson

The oft-quoted phrase certainly applies to our organization's efforts in in the last several years and especially in FY2018. We appreciate the continued support of the Illinois Secretary of State and the Illinois State Library, and submit our Annual System Report for your review.

Contained herein please find our financial audit, reports and tables as detailed in 23 IL AC 3030.350.

Please let me know if you require additional information.

Thank you,

Leslie M. Bednar
Executive Director

IMAGINING TOMORROW ~ DELIVERING POSSIBILITIES TODAY!

1840 Innovation Drive, Carbondale, IL 62903 • 618.985.3711 • 618.656.9401 Fax
1704 West Interstate Drive, Champaign, IL 61822 • 217.352.0047 • 217.352.7153 Fax
6725 Goshen Road, Edwardsville, IL 62025 • 618.656.3216 • 618.656.9401 Fax
www.illinoisheartland.org

A person is walking away from the viewer on a wide, paved stone path that leads towards a large, arched stone structure. The archway is partially covered by trees with autumn-colored foliage. The background is a soft, hazy landscape with more trees and a warm, golden light. The overall scene is peaceful and suggests a journey or a path forward.

NARRATIVE REPORT

Reaching Out with Meaningful and Sustainable Services: Illinois Heartland Library System in FY2018

FY2018 was a transformative year for the Illinois Heartland Library System (IHLS). We returned to a more predictable level of System Area and Per Capita Grant (SAPG) support this year and received positive financial audit reports in FY2016 and FY2017. For both of those years IHLS was funded at a significantly reduced level (58%), emerging this year with renewed energy, a strong commitment and sustainable member services.

In previous years and with their accompanying financial challenges, our creative and talented staff embraced improvements in library services. We selected projects that made a difference for our member libraries and also provided a savings in time and/or financial resources. This year we added sustainability to our project guidelines when possible. Good member services have a positive impact on the user—great member benefits are driven with passion, purpose, and are perpetual.

For ease of review, this report follows the FY2018 plan of service submitted June 1, 2017.

COMMUNICATIONS

Flexibility is a key component of our communication strategy allowing stakeholder communication to remain a priority for our organization. Looking back at our organization's short history, we have debuted and retired some communication technologies in favor of newer, more efficient ones. (Examples include: moving from AdobeConnect to Zoom for board and SHARE governance meetings; and adding Facebook and Twitter as additional information channels to supplement our website, member newsletter and Announce email list). In FY2018, IHLS embraced available communications technology to encourage, engage and inform members and other stakeholders.

Maintaining a focus on advocacy for our organization, our members, and support for library services as a whole, we increased visibility with several tools:

- IHLS conference backdrop and table for quick setup in a variety of settings.
- infographics focused on system funding, the Cataloging Maintenance Center (CMC), other system services, plus a template for use with elected officials.
- Smaller presentation pieces for use by CMC staff when they participate in events around the state such as a system map card.



What does **ILLINOIS HEARTLAND**
mean to you

It makes a small
library feel like a
large library.

-JOEL SHOEMA
Oakwood Public



ONLINE RESOURCES

WEBSITE

Our website is a trusted source of information regarding: regional library job openings, grant opportunities, continuing education opportunities, and upcoming events. In tandem, we focused our efforts this year on building our social media following to provide complementary information. It appears our efforts were successful, especially as more and more information savvy individuals take advantage of various forms of social media:

SOCIAL MEDIA

FACEBOOK

With 796 IHLS Facebook followers this year, we had an average Facebook reach of 318, or 39.9% of total page likes. In January 2018 the national average was 8.92 %.



TWITTER

IHLS Twitter posts earned 6.5K impressions in the first quarter of FY2018 (1 July – 30 September 2017). By comparison we saw a 28% increase in impressions (8.3K) during the last quarter (1 April – 30 June 2019).

HUMAN RESOURCES

We encourage all IHLS staff to participate in low- and no-cost professional development opportunities. From the training we offer each other to those presented out of the office, staff learning enrichment is a priority. This year our staff:

SEMINARS ATTENDED

69



ONLINE TRAINING COURSES COMPLETED

220



ONLINE TRAINING COURSES INITIATED

66



In FY2018, IHLS was able to turn inward and place a focus on staff needs and challenges. The most important step was adding a full-time Human Resources (HR) professional to guide our team by focusing on employee morale. To comply with established priorities, we moved to a more enhanced background check system for new employees and extended our reach by promoting position openings through channels new to IHLS.

An HR professional has allowed IHLS to address our evaluation and progressive discipline processes, as well as a redesigned 90-day evaluation procedure. We now have routines in place for all, and staff appreciate the user-friendliness of the procedures and forms.



In small group meetings we self-presented on the following topics:

- Awareness of our Sexual Harassment Policy
- Core Competencies For Business
- Understanding the Performance Review Process

UTILIZING TECHNOLOGY

In a 21st century work environment our Information Technology (IT) colleagues serve many goals at the same time. A small team of (now) 4 FTE (full-time equivalent) professionals serve the diverse needs of our three offices, an offsite co-location for servers and data storage and close to 3,000 library staff user accounts in the SHARE Consortium database. (SHARE is Sharing our Resources Equally—the name of our automated libraries group.) They provide data backup, emergency support and most importantly an innovative vision for data integrity and software development that allows IHLS to reach new levels of member services.

This year we were able to add an additional team member to the IT staff group. As a first level of support for IHLS staff and some SHARE software issues, our new colleague enables others on the team focused project time in addition to responding to library needs in an efficient time frame.

Information Technology (IT) is a more essential part of our daily routine than ever. IHLS proves that with even a small number of IT professionals, great things are possible.

STAFF

With minimal staff, IHLS supports 2,800 user accounts for SHARE and IHLS.



HELP!

Over 3,500 helpdesk tickets, emails, and telephone issues were handled by IT staff this year.



INNOVATION

Over 2.3 Million delivery statistics collected for the Operations department using software developed in-house.



EQUIPMENT

The IT department evaluates, procures, and maintains all technology related equipment, keeping costs low and the life of the equipment long.



SHARE SERVERS

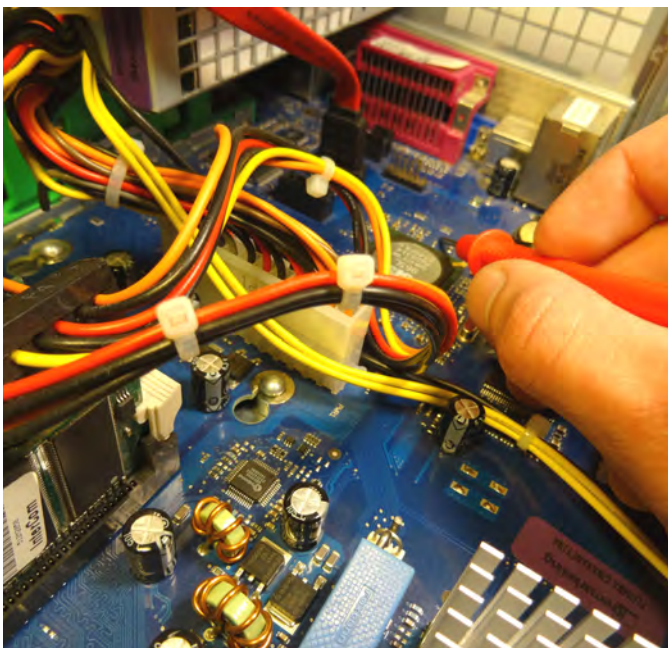
\$350k spent of SHARE reserves to upgrade the vast majority of servers supporting the SHARE environment. Performance increase of 300% has been noticed. Data is more safe and backups are running every 15 minutes to ensure data integrity.





OUR BIG PROJECT

The largest project for the team this year was planning, designing and implementing new servers for the SHARE Consortium. As the largest library consortium in North America, the group relies on a dependable, fast and large data environment to operate optimally. The task was to find a replacement for hardware with a 7-year lifespan. Our team selected physical servers (over cloud services) based on long term affordability, hosting preference, performance and service level.



While the new servers were installed in June 2018, they did not “go live” until early FY2019. Initial evaluation demonstrated a performance increase of 300% which is a service enhancement for SHARE members. Additionally, there are multiple levels of data redundancy for support.

MEMBERSHIP

Membership and networking services guide every aspect of our work at IHLS. With 520 multitype members this year we value the diversity of member needs and continually strive to meet the varied demands of our customers. Site visits with new library directors are more than introductions to system services—they include information about the larger library community and continuing education opportunities, upcoming networking events and promotion of statewide leadership activities like:

- Directors University
- Illinois Libraries Elevate
- Illinois School Library Media Association (ISLMA) Conference
- Illinois Library Association (ILA) Conference
- Reaching Forward South (RFS) Conference

This year our organization supported access to continuing education such as Directors University and Elevate by sponsoring attendance when the fee would have made participation out of reach. To insure successful events for all attendees, IHLS sponsored activities at the ILA, ISLMA, and RFS conferences, as well as ILA-sponsored learning events.



Illinois Libraries Elevate



Illinois School Library Media Association
Holly Gallagher Robinson CUSD #2
& Ellen Popit, IHLS Associate Director



Reaching Forward South
Johnna Schultz
Effingham Public Library

This year we solicited member feedback regarding the IHLS Strategic Plan approved by the IHLS Board of Directors in 2015. Financial limitations forced our organization to postpone full implementation of the plan and we needed to touch base with members regarding the six tenets of the proposal. Feedback from a series of member focus groups and conversations with the Board will shape a member survey for fall 2018. The combined input will shape strategic initiatives and activities established by senior staff as the plan is implemented.



Member outreach also included:

- promotion of and participation in ILA legislative events within our system service area
- participation at the CARLI (Consortium of Academic and Research Libraries in Illinois) New Directors Institute and Annual Meeting
- provision of an IHLS update at the annual Illinois Health Services Librarians Meeting
- Illinois Reads planning committee participation
- Revised Serving our Public committee participation

Near the end of the year IHLS increased its membership staff team by adding a full-time Membership Coordinator. This sustainable staffing initiative is possible due to conservative business strategies and a return to normalized funding levels. The return on investment will be realized in successive years through increased member outreach and continuing education opportunities for members.



ACCOUNTING

IHLS Accounting services provide fundamental support to our organization including staff and board. We are able to entertain new and extend current member services thanks to excellent record keeping and forecasting abilities of our financial team. IHLS has enjoyed many years of healthy and positive financial audits and our board and staff benefit from detailed, timely financial reports thanks to their talents, skills and commitment.

This year the group achieved additional goals:

--SHARE annual billing improved by an increase in customer service support, having the correct supporting documentation, and a positive increase in accuracy. Correct customer contact information has been maintained all year, and the updated accounts are directed to the appropriate contact who approves the invoice for payment processing. Establishing and maintaining a rapport with SHARE member libraries has reduced the number of incorrect check amounts and the number of libraries sending checks to other IHLS locations. In addition, the turnaround time for invoices paid has seen a positive impact. Team involvement in the SHARE fee calculation process allows for a reduction in the number of errors in the actual billing. Therefore, invoices are entered in the system earlier than before, and a large portion of the SHARE membership fee payments were also received prior to the end of July.

The overall effect is much improved cash flow for SHARE operations and less frustration for SHARE members.

ACCOUNTING STAFF

--An additional part-time staff member in the department allows senior staff to focus on the analysis of IHLS financials and timeliness of tasks. IHLS added a part-time Accounting Assistant mid-year to support the group as a whole. A significant impact was coverage while another team member was out on medical leave—basic accounting tasks were maintained at a necessary levels during the absence. This also allowed senior finance to focus on larger projects while our new colleague addressed other duties and tasks.

--Accounting staff work with other IHLS team members regarding expenditures and budget impact. Professional development at supervisor's meetings provides IHLS colleagues a better sense of the bigger financial picture. Staff received training on the IHLS Chart of Accounts and how certain Funds are categorized. The training has allowed IHLS staff to be able to correctly approve each invoice and know how to categorize which general ledger line that the expense should be allocated to. A significant improvement in staff time and understanding of basic operational function was achieved through this project.

--Budget supervisors have read-only access to the financial database. Near the end of the year, department managers and project leads received training, and read-only access to our financial database. This empowers supervisors with more information at hand as it allows them to monitor their budgets, view budgets in comparison to actual expenses, and forecast future expenses. The benefit for accounting staff is less time spent creating financial reports when projections are required.



BIBLIOGRAPHIC ACCESS

Cataloging – descriptive and classifying – is a backbone of library services, which is why the Illinois State Library (ISL) and IHLS make a concerted effort to provide help and support to member libraries. Many believe that cataloging is a thing of the past -- old school – not as necessary with computers and keyword searching. Consistency and following the rules is not chic. However, the library world and research in general would be lost without cataloging.

Keeping a quality database with accurate information and few duplicate bibliographic records is the main function of the SHARE Bibliographic Services team. Providing quality training programs for the member catalogers helps to achieve this goal. 130-member catalogers assisted SHARE Bibliographic services staff import 53,254 bibliographic records from OCLC (Online Computer Library Center) during the fiscal year. OCLC is a worldwide shared database used for interlibrary loan and cataloging.

With member catalogers responsible for 70% of the cataloging in our SHARE catalog, it would be evident if they were importing duplicate records or providing wrong information. During FY2018, Resource, Description and Access (RDA) cataloging guidelines were fully implemented within SHARE. Much of the RDA training presented members was through the popular Cataloger's Training sessions. The sessions are held online 10 times a year on the second Tuesday of the month, with no session in June or December. The sessions are recorded and available to watch at the cataloger's convenience. On average, catalogers attend or watch at least four of these programs yearly, with many attending all of the programs. Helping catalogers keep up to date – that's what SHARE Bibliographic Services does!

Cataloging – descriptive and classifying – is a backbone of library services, which is why the Illinois State Library (ISL) and IHLS make a concerted effort to provide help and support to member libraries.

For those SHARE libraries that do not have catalogers on staff, the options for cataloging include sending the item to SHARE cataloging center at a cost of \$10 per item or a \$3 Bib option. Implemented in July 2015, \$3 bib option helps barcoding libraries to have their items added to the SHARE database, quickly and cheaply.

The \$3 bib option has allowed me to drop my cataloging permissions and make better use of my time, instead of learning the new cataloging rules."

*Chet Brandt
Tri-City Public Library District*

The \$3 option had increased in popularity with SHARE members this year. Jerseyville Public Library took advantage of the option to allow the cataloger/children's librarian to focus on another project for a short time. Scott Air Force Base also used the option to help complete an update of the library. The success of the \$3 Bib option has helped cut down on the turnaround time for cataloging items, and allows the SHARE cataloging staff to focus cataloging the more unique items. Saving libraries time and money – that's what \$3 Bibs do!

Through a grant funded by the ISL the Cataloging Maintenance Center (CMC), has provided cataloging for local history and genealogy, local authors and special collections for libraries in Illinois. Two RAILS consortia, PrairieCat and RSA (Resource Sharing Alliance) regularly send library materials to the CMC and invited CMC staff to present information to their members concerning the cataloging of special materials. IHLS members who utilized the service, were mainly small libraries who do not have the expertise in cataloging.

1,757
Items Cataloged

930 IHLS

827 RAILS

The two libraries with the highest number of items cataloged by the CMC for FY2018 were Freeport Public Library with 414 items and Effingham Public Library with 241 items. Both are working to catalog items in their local history rooms. Materials cataloged include books, as well as other formats including 31 kits and 42 serials. Helping libraries find that local niche and provide access to a wealth of "hidden" gems – that's what the CMC does!

ONLINE COMPUTER LIBRARY CENTER (OCLC)

14,000

Items handled by the
SHARE Cataloging Center

CMC and SHARE catalogers do not do all this cataloging work alone. The use of the Online Computer Library Center (OCLC) makes this job easier. OCLC allows libraries from all over the world to share bibliographic and authority records. CMC and SHARE catalogers search for a bibliographic record in OCLC and then edit the information, adding subject headings, correcting publishing information and further describing the item. One would think that with over 2.6 billion physical and digital library assets, a bibliographic record would exist in OCLC already for everything searched, except for maybe new items. However, of the 1,726 items cataloged by the CMC, 1,366 items required original bibliographic records. For the 14,000 items that the SHARE cataloging center handled, 1,057 original records were created by staff. The SHARE member catalogers also continue to add original cataloging records to OCLC, increasing and enhancing the database for all. Many of the SHARE member libraries participate in OCLC, however others have had to make the tough decision not to continue membership. Decisions were based primarily on financial concerns, though some libraries have cited no longer needing the interlibrary loan capabilities of OCLC. Continued affordable access to OCLC is essential to SHARE libraries. Saving time and sharing expertise - that's what OCLC does!



ADMINISTRATIVE SERVICES TEAM

Within the SHARE Consortium our Administrative Services team achieved several goals that improve access and predictability for patrons, as well as support and training for participating libraries:

- most participating libraries loaning DVDs for a period of less than 7 days have increased the loan period to 7 days: this provides more consistency for borrowers and takes into consideration delivery time from one hub to another
- participating library staff have reviewed the 10 Commandments of SHARE Circulation—an online course required for current and future SHARE library staff.
- participating school libraries requested new circulation permission groups, and this has been expanded to other types of libraries as well.
- created a reports manual including sample reports, as well as refined overdue reports for participating schools
- utilizing a software toolkit which allows participating libraries to create and insert carousels on any website

Our SHARE staff assisted 11 IHLS libraries as they migrated into the consortium. In addition 3, IHLS libraries will join the group in FY2019. The steady and consistent growth is both healthy for our organization and sustainable in terms of workflow.



RESOURCE SHARING



Resource sharing in a large environment like Illinois takes many forms. It includes: traditional interlibrary loan where libraries contact each other and request materials by phone, fax or email; groups of libraries sharing a database of electronic resources like e-books that crosses community and library system boundaries; multi-type libraries joined together utilizing a shared catalog within a system boundary; and a single library type (i.e. academic libraries) using a shared catalog across library system boundaries.

Regardless of a library's automation choice their motives are the same. Every library works as they see best to serve their patrons within the constructs of their environment. There is no incorrect method of patron access to resources. IHLS provides opportunities for all members regardless of library type to improve resource access and sharing for their patrons.

In IHLS, 342 out of our 520-member agencies have chosen to participate in the SHARE Consortium. The remaining one-third of our members utilize a resource sharing option (or options) listed above. All resource sharing activities improve patron outcomes across our service area.

342 out of our 520-member agencies
have chosen to participate in the SHARE Consortium.

DELIVERY

This year marks the first full year of library delivery without the lens of borrowing volume as a guide for delivery frequency. Our larger member libraries should not have noticed a change as they receive 5 day/week delivery, and IHLS consequently moved 4 delivery day/week libraries to 5 delivery day/week as well. The largest impact is on medium and small libraries with patron borrowing increasing over time as delivery dependability was established. With complete financial data for the fiscal year we can confidently state the sea change in our approach is sustainable as well as a game changer for several libraries and the patrons they serve.

As we analyzed the true costs to provide delivery services in FY2017 and FY2018, trends emerged:

- stops per year increase as cost per stop decreases: In FY2017 IHLS provided a total of 66,040 delivery stops and increased that number to 70,110 stops FY2018. The cost per stop in FY2017 = \$20.93, and it decreased to \$20.05 in FY2018.
- total miles driven per year increase: from 1,177,973 miles in FY2017 to 1,178,011 in FY2018.
- overall cost for delivery increases slightly in FY2018: in FY2017 our total delivery costs = \$1,382,046.61 and increased to \$1,405,365.59 in FY2018.



The modest increase is attributed to two factors: in the first year staff received a 3% cost of living (COL) salary increase, while in the second there was a 3.5% increase; and the second year had an increase in total delivery vehicle repair costs plus a rise in fuel.

IMPROVEMENTS

Improved patron outcomes via delivery required an overhaul for the entire process. Looking at our staffing arrangement we made changes as:

- longer delivery routes each day maximized driver hours each week.
- created a sorter-only position for a second shift to begin as delivery routes return to our hubs.



Several changes are evident in our locations that aid delivery in various ways:

- preparing tubs for delivery: We separate books from plastic library items when transporting our inner hub items. We use foam to protect plastic items (dvds, audiobooks, cds, anything in a plastic case). The number of broken cases decreased dramatically with this small change.
- Carbondale hub improvements: All staff have moved to new office space, and delivery has a larger work area which is more comfortable to move around. Delivery vehicles load and unload with less exposure to the elements and building egress with wider doors for ease of cart and tub movement.
- Champaign hub improvements: The entire building was updated with fresh surfaces including flooring, walls and lighting. Streamlined delivery work area includes new sturdy tables at a comfortable height. Additional safety enhancements from the updated lighting, flooring and tables.
- Edwardsville hub improvement: Lighting is updated with LEDs as old bulbs burn out. This improves safety in general as well as accuracy in sorting.

INCREASED LIBRARY DELIVERY STOPS

The visible impact of our new approach to delivery is seen in increased library delivery stops during the year at a regional/system level.

Library	Total items delivered FY2017	Total items delivered FY2018	Increase from FY2017 to FY2018
Du Quoin High School	205	914	345%
Eldorado Public Library	7,418	11,114	50%
Greenfield Public Library	2,356	5,604	138%
Harrisburg Public Library	9,516	14,286	50%
Kitchell Memorial Library	2,453	4,015	63%
Metropolis Public Library	7,806	11,148	43%

CONCLUSION

At the end of the day what matters most is our impact on the members we serve. In FY2018 IHLS illustrated our commitment to our members through innovative services and continued dedication to fiscal responsibility. We look to the future with confidence, zeal and determination to advance member services for libraries in central and southern Illinois.

FINANCIAL REPORT

2.1 FY2018 SYSTEM AUDIT (ATTACHMENT 2.1)

2.2 SYSTEM MEMBER FEES AND REVENUE

The SHARE fund contains LLSAP user fees from member libraries in the following categories:	
- Cloud Subscription	\$100,328
- ICN Filtering	\$389
- SHARE SAM Fee	\$13,032
- SHARE Additional Module Fees	\$26,008
- SHARE Bibliographic Service Fee	\$113,627
- SHARE LLSAP Full Member Fees	\$1,025,357
- SHARE LLSAP Transitional Member Fee	\$24,543
The SHARE fund contains LLSAP group purchase fees from member libraries in the following categories:	
- SHARE Group Purchase Subscriptions	\$135,597
- SHARE eBook Purchases	\$83,199
The General fund contains purchase fees on behalf of member libraries in the following categories:	
- Dreamhost Domain Name	\$442
- Library Law Books	\$40
Total:	\$1,522,563

2.3 SYSTEM NON-MEMBER FEES AND REVENUE

Room Rental of Edwardsville Location	\$200
ERate Funding	\$9,928
Asset Surplus Proceeds	\$26,715
ILDS Contract with RAILS	\$245,622
Total:	\$282,465
ILLINET/OCLC Group Service Fees	\$4,352,092
ILLINET/OCLC Monthly Network Transactional Billing	\$617,980
Total:	\$4,970,072



2.4 CAPITAL EXPENDITURES IN EXCESS OF \$5,000

General Fund Expenditures	Expense
Computers	
PowerEdge Server	\$16,999.00
Total:	\$16,999.00
Building & Improvements	
CHA:4 Ton HVAC Unit	\$8,675.00
CHA: Lighting Retrofit	\$21,863.00
CHA: Flooring, Painting, & Office Remodel	\$76,283.96
Total:	\$106,821.96
Land	
CHA: Resurface & Restripe Asphalt Parking Lot	\$71,802.00
Total:	\$71,802.00
Vehicles	
EDW:2018 Ford Box Truck with Lift Gate	\$61,650.00
EDW:2018 Ford Transit	\$27,007.00
EDW:2018 Ford Transit	\$27,007.00
CHA:2018 Ford Transit	\$27,007.00
CHA:2018 Ford Transit	\$27,007.00
CAR:2018 Ford Transit	\$27,007.00
Total:	\$196,685.00
SHARE Fund Expenditures	Expense
Computers	
Server Upgrade Project	\$265,077.79
Total:	\$265,077.79

2.5 LOANS OR LETTERS OF CREDIT

As of June 30, 2018, there were no outstanding loans, letters of credit or grant anticipation warrants for Illinois Heartland Library System.

2.6 TREASURERS SURETY BOND

SCHOOL TREASURER'S BOND-ILLINOIS-CORPORATE SURETY FORM EXECUTED IN DUPLICATE

STATE OF ILLINOIS
Montgomery County,

} SS.

Bond No. 601101773

KNOW ALL MEN BY THESE PRESENTS, That we, Sara Layne Zumwalt
as principal, and The Ohio Casualty Insurance Company as Surety, are held and firmly bound, jointly and severally,
unto the Illinois Heartland Library System
6725 Goshen Road, Edwardsville, IL 62025

in said County or successors in office, in the penal sum of One Million Seven Hundred Fifty Thousand and no/cents
*****DOLLARS, (\$ 1,750,000.00), for the payment of which we
bind ourselves, our heirs, executors and administrators, firmly by these presents.

IN WITNESS WHEREOF, we have hereunto set our hands and seals, this 5th day of

June, A.D. 2017

This bond to be effective 6/30/17 to 6/30/18

THE CONDITION OF THIS OBLIGATION IS SUCH,

That if Sara Layne Zumwalt

School Treasurer of Illinois Heartland Library System

in the county aforesaid,

shall faithfully discharge the duties of his office, according to law, and shall deliver to his successor in office, after such successor shall
have qualified, by giving bond as provided by law, all monies, books, papers, securities and property, which shall come into his hands
or control, as such School Treasurer, from the date of his bond up to the time that his successor shall have qualified as School
Treasurer, by giving such bond as shall be required by law, then this obligation to be void; otherwise to remain in full force and virtue.



Sara Lyne Zumwalt

Principal

The Ohio Casualty Insurance Company

By: Alan H. Rausenberger

Alan H. Rausenberger

Attorney-in-fact

STATE OF ILLINOIS

} SS.

Montgomery County,

I,

hereby certify that Sara Layne Zumwalt who is personally know to me to be the same person
whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he signed, sealed
and delivered said instrument as his free and voluntary act for the uses and purposes as therein set forth.
Given under my hand and _____ seal, this _____ day of _____,

Approved and accepted by: _____

By: _____

President

By: _____

Secretary or Clerk

Approved, _____

2.6 TREASURERS SURETY BOND (PAGE 2)



**Liberty
Mutual.**

The Ohio Casualty Insurance Company

STIPULATION

To be attached to and form part of Bond No. 601101773

issued by The Ohio Casualty Insurance Company on behalf of

Illinois Heartland Library System

in favor of Illinois Heartland Library System in the amount of

One Million seven hundred fifty thousand and no/cents*****(\$ 1,750,000.00)

Dollars, and dated September 18, 2017

WHEREAS, it is the desire of all parties that this bond be amended as hereinafter provided.

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED that said bond hereinbefore described is hereby amended as follows: **Principal name changed**

FROM: **Athena June Hubert**

TO: **Sara Layne Zumwalt**

IT IS FURTHER STIPULATED AND AGREED that nothing herein contained shall vary, alter or modify any of the conditions of said bond except as herein expressly modified.

SIGNED, SEALED and DATED: September 18, 2017


Sara Layne Zumwalt Principal

By: _____

The Ohio Casualty Insurance Company

By: _____


Jason A. Rausenberger

Attorney-In-Fact

Agreed to and accepted by: _____

S-1812 Blank Stipulation
(Not to be used to change amount of bond)

By: _____

3.1 MEMBERSHIP



IHLS VISION

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.

3.1.1 REPORT OF CHANGES IN SYSTEM MEMBERSHIP

AGENCIES ADDED

East St. Louis School District #189 Board Action/April 26, 2018

Greenview CUSD #200 Board Action/April 26, 2018

Anna-Jonesboro HSD #81 Board Action/June 26, 2018

AGENCIES SUSPENDED

Morthland College Board Action/April 26, 2018

IHLS HAS NO DEVELOPMENTAL MEMBERS

Anna Yackle
Membership Coordinator



3.1.2 SUMMARY OF SYSTEM MEMBERSHIP

520

MEMBER
LIBRARIES



3.1.3 CONTINUING EDUCATION/TRAINING

TYPES OF OFFERINGS

IHLS provided forums for discussion groups (IHLS Directors' Chats and Members Matter meetings) Training for IHLS Board Members and E-Rate training for member libraries, to name a few

SHARE included trainings on all aspects of circulation and cataloging in Polaris, use of eResources and technology, and managing resource sharing in a large consortium.



NUMBER OF EVENTS

IHLS provided a total of 265 CE events or programs during FY2018.

SHARE (the local library automation program) sponsored 159 events, programs or classes.



NUMBER OF PARTICIPANTS

IHLS had 2,718 participants in CE events and programs.

SHARE had 1,452 participants in classes on cataloging in Polaris, use of eResources, technology, and circulation.



CONTACT HOURS

IHLS provided a total of 5,851 contact hours for events and programs.

SHARE provided 447.5 contact hours for events, programs or classes, and 3427.5 total CE hours.





3.1.4 DELIVERY

3,981,626

Total Number of Items
Transported

SHARE (Polaris) + counts
for non-SHARE libraries
ISL/RAILS/IHLS
(incoming items only)

23,560.22

Average number of Delivery
Miles Traveled Per Week

Saved 40 miles per week
while giving access to
5 day a week delivery

1,348

Average Number of Direct
Delivery Stops Per Week

An average of 28
more weekly stops
than last year

3.1.5 MEMBER SITE VISITS

Special Libraries **2**

4 Academic Libraries

School
Libraries

12



Public Libraries

60



FY2018 target site visit goal was not met due to staffing. We anticipate meeting this goal in FY2019.

3.1.6 NON-RESIDENT PARTICIPATION

This is the URL for the listing of public libraries in IHLS with indication of whether they are or are not participants in the non-resident fee program is: <http://www.illinoisheartland.org/?q=members/non-resident-fee>

3.2 STAFFING

3.2.1 WORK WEEK HOURS, SALARY SCHEDULE, SYSTEM STAFF LIST

Title	Department	Hours Worked Per Wk	Hourly Payrate	Annual Salary	Graduate Degree
Current Positions					
Cataloger	Technical Services	40.00		\$ 40,486.42	MLIS
Cataloger	Technical Services	40.00		\$ 47,629.40	MLS
Courier	Delivery	19.00	\$ 10.97		
SHARE Bibliographic Services Manager	Technical Services	40.00		\$ 63,963.12	MLS/MA
Executive Director	General Administration	40.00		\$ 130,363.74	MLS
Courier	Delivery	19.00	\$ 11.02		
Courier	Delivery	19.00	\$ 11.73		
Page/Sorter	Delivery	19.00	\$ 9.83		
Cataloger	Technical Services	40.00		\$ 41,903.42	
Information Technology Director	Information Technology	40.00		\$ 90,754.56	
Courier	Delivery	19.00	\$ 10.60		
Page/Sorter	Delivery	19.00	\$ 10.60		
Courier	Delivery	19.00	\$ 11.20		MS
Executive Assistant	General Administration	40.00		\$ 43,469.92	
Network Administrator	Information Technology	40.00		\$ 64,687.48	
Courier	Delivery	19.00	\$ 10.97		MA
Courier	Delivery	19.00	\$ 10.60		
Courier	Delivery	19.00	\$ 10.97		
Page/Sorter	Delivery	19.00	\$ 9.83		
Page/Sorter	Delivery	19.00	\$ 9.50		
Courier	Delivery	19.00	\$ 10.60		
Grant Specialist	General Administration	10.00	\$ 34.38		MS
Accounts Payable Coordinator	Accounting	40.00		\$ 39,912.86	
Courier	Delivery	40.00	\$ 13.97		
SHARE Administrative Services Manager	Resource Sharing	40.00		\$ 79,813.50	
Courier	Delivery	19.00	\$ 12.26		
Chief Fiscal Officer	Accounting	40.00		\$ 76,862.24	
Cataloging Supervisor	Resource Sharing	40.00		\$ 48,395.36	
Page/Sorter	Delivery	19.00	\$ 9.83		
Courier	Delivery	19.00	\$ 10.60		
Page/Sorter	Delivery	19.00	\$ 10.92		
Operations Manager	Delivery	40.00		\$ 46,524.92	
Courier	Delivery	19.00	\$ 10.97		
Courier	Delivery	19.00	\$ 11.02		
Courier	Delivery	19.00	\$ 10.24		
Courier	Delivery	19.00	\$ 10.97		
Human Resources Generalist	Human Resources	40.00		\$ 51,000.04	MSHRM
IT Specialist	Information Technology	40.00		\$ 35,360.00	
Courier	Delivery	19.00	\$ 10.24		
Courier	Delivery	19.00	\$ 10.24		
Page/Sorter	Delivery	40.00	\$ 9.50		
Courier	Delivery	19.00	\$ 10.97		
Courier	Delivery	19.00	\$ 10.60		
OCLC Senior Accountant	Accounting	40.00		\$ 60,972.08	
Courier	Delivery	19.00	\$ 14.40		
Page/Sorter	Delivery	19.00	\$ 10.92		
Cataloging Assistant II	Resource Sharing	10.00	\$ 22.51		MLS
Tech Support Specialist	Resource Sharing	40.00		\$ 34,773.18	
Courier	Delivery	19.00	\$ 12.79		
Operations Manager	Delivery	40.00		\$ 46,524.92	
Courier	Delivery	19.00	\$ 11.73		
Page/Sorter	Delivery	19.00	\$ 9.83		
Courier	Delivery	19.00	\$ 10.97		
Courier	Delivery	27.00	\$ 13.97		
Lead Sorter	Delivery	40.00	\$ 13.00		
SHARE Reportings Services Specialist	Resource Sharing	10.00	\$ 20.70		
Courier	Delivery	19.00	\$ 14.40		
Courier	Delivery	19.00	\$ 10.92		
Courier	Delivery	19.00	\$ 12.79		MA
Courier	Delivery	19.00	\$ 10.97		
Courier	Delivery	19.00	\$ 10.97		
Accounting Assistant	Accounting	19.00	\$ 15.50		

3.2 STAFFING

3.2.1 SYSTEM STAFF LIST (CONTINUED)

Title	Department	Hours Worked Per Wk	Hourly Payrate	Annual Salary	Graduate Degree
Current Positions					
Page/Sorter	Delivery	19.00	\$ 9.83		
Courier	Delivery	19.00	\$ 10.97		MA
Accounts Receivable Coordinator	Accounting	40.00		\$ 37,311.56	
Courier	Delivery	19.00	\$ 10.70		
Operations Director	Delivery	40.00		\$ 73,568.04	
Courier	Delivery	19.00	\$ 10.92		
SHARE Circulation Specialist	Resource Sharing	40.00		\$ 42,113.24	
Cataloger	Resource Sharing	40.00		\$ 39,117.00	
Communications Coordinator	General Administration	40.00		\$ 46,010.64	
Courier	Delivery	19.00	\$ 11.02		
Operations Manager	Delivery	40.00		\$ 47,972.08	
Courier	Delivery	19.00	\$ 10.97		
Cataloger	Resource Sharing	40.00		\$ 39,117.00	MA
Associate Director	General Administration	40.00		\$ 95,002.18	MLS
Courier	Delivery	19.00	\$ 11.02		
Courier	Delivery	40.00	\$ 10.92		
Page/Sorter	Delivery	19.00	\$ 9.83		
Courier	Delivery	19.00	\$ 10.92		
Cataloger	Resource Sharing	40.00		\$ 41,903.42	
Page/Sorter	Delivery	19.00	\$ 9.83		
Courier	Delivery	19.00	\$ 10.97		
Page/Sorter	Delivery	19.00	\$ 10.92		
SHARE Administrative Service Specialist	Resource Sharing	40.00		\$ 36,249.20	
Courier	Delivery	19.00	\$ 10.92		
Courier	Delivery	19.00	\$ 10.92		
Cataloging Supervisor	Resource Sharing	40.00		\$ 59,875.66	MLIS
Courier	Delivery	19.00	\$ 10.24		
Page/Sorter	Delivery	19.00	\$ 9.50		
Administrative Assistant	General Administration	40.00	\$ 13.78		
SHARE Director	Resource Sharing	40.00		\$ 79,999.92	
Courier	Delivery	40.00	\$ 13.97		
Courier	Delivery	19.00	\$ 12.79		
Courier	Delivery	19.00	\$ 10.92		
Web Developer	Information Technology	40.00		\$ 69,293.12	
Courier	Delivery	19.00	\$ 10.60		
Courier	Delivery	19.00	\$ 11.02		
Membership Coordinator	General Administration	40.00		\$ 54,999.88	MLIS
Page/Sorter	Delivery	19.00	\$ 9.50		
SHARE Circulation Specialist	Resource Sharing	19.00	\$ 24.41		MLS
Courier	Delivery	19.00	\$ 10.24		
None					
None					



3.3 BOARD

3.3.1 FY2018 BOARD MEETINGS HELD

The regular meetings of the Board of Directors of the Illinois Heartland Library System will be held on the fourth Tuesday of the month at the Illinois Heartland Library System Edwardsville location. There will not be a regularly scheduled meeting for the month of December. Each meeting will begin at 5 p.m.

Meeting dates are as follows:

July 25, 2017	February 27, 2018
August 22, 2017	March 27, 2018
September 25, 2017	April 25, 2017
October 24, 2017	May 24, 2018
November 28, 2017	June 22, 2018
January 23, 2018	July 26, 2018

All Board and committee meeting agendas are posted on the Illinois Heartland Library System website.

3.3.2A LIST OF SYSTEM BOARD MEMBERS

Sandy West, President
618-559-1033

swest@board.illinoisheartland.org

Geoff Bant, Vice-President
217-840-0415

gbant@board.illinoisheartland.org

Sara Zumwalt, Treasurer
217-324-3866

szumwalte@board.illinoisheartland.org



June 2020

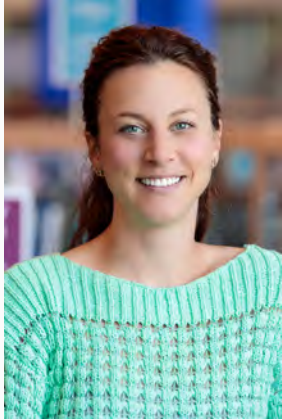


June 2021



June 2019

Tiffany Droege, Secretary
618-222-7500
tdroege@illinoisheartland.org



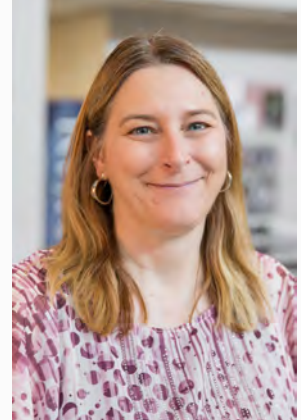
June 2018

Stacey Carter, Member at Large
217-877-0353
scarter@illinoisheartland.org



June 2020

Mary Beil
618-795-3123
mbeil@illinoisheartland.org



June 2018

Gary Denué
618-656-4941
gdenué@illinoisheartland.org



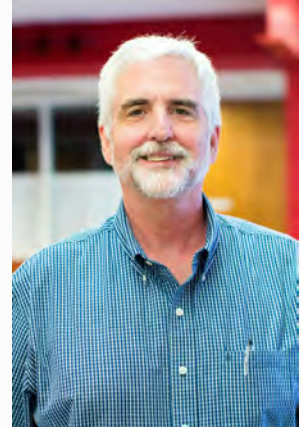
June 2020

Tina Hubert
618-501-4781
thubert@illinoisheartland.org



June 2021

Gary Jones
618-841-9533
gjones@illinoisheartland.org



June 2019

"I feel that libraries are the heart of every community,
and I am proud to be a part of IHLS as we strive
to serve libraries and communities of all sizes."

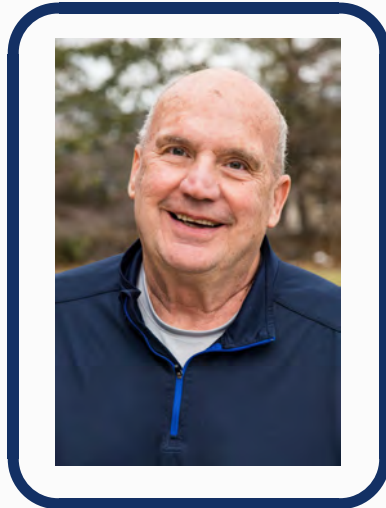
Sara Zumwalt
Litchfield Public Library

Bev Obert
217-578-2515
bobert@illinoisheartland.org



June 2019

Robert Paarlberg
312-884-9022
rpaarlberg@illinoisheartland.org



June 2019

Susan Pennington
217-622-7046
spennington@illinoisheartland.org



June 2020

Mary Smith
618-234-8340
msmith@illinoisheartland.org



June 2020

Charlene Topel
217-342-4079
ctopel@illinoisheartland.org



June 2021

"Bridging the gap between public libraries and
school libraries is a high priority for me."

Susan Pennington
Springfield SE High School



3.3.2B IHLS BOARD MEETS REQUIREMENTS SPECIFIED IN 23 ILAC 3030.255

The Illinois Heartland Library System Board of Directors policies to meet regulations compliance.

- Policies and Bylaws:
<http://www.illinoisheartland.org/?q=about/policies>
- Contracts and Purchasing:
<http://www.illinoisheartland.org/sites/default/files/FinProcPolicy.pdf>
- Personnel Code (Conflict of Interest, Travel Expenditures and Secondary Employment):
<http://www.illinoisheartland.org/sites/default/files/IHLS%20Empl%20Code%20amendedMay2015.pdf>



3.3.2C IHLS BOARD MEETS FINANCES AND RECORDS RESPONSIBILITIES IN 23 ILAC 3030.260

The Illinois Heartland Library System Board of Directors policies and procedures to meet finances and records responsibilities.

- Financial records are maintained at the Administrative Headquarters in Edwardsville.
- A monthly financial report is prepared and reviewed by the finance committee and the full board.
- An annual audit is conducted.
- Funds are accounted for as of June 30th of each year by expenditure, encumbrance or reserves.
- An annual budget has been prepared and submitted prior to July 1.
- A purchase inventory is maintained.
- Accounts are organized on the basis of funds.
- Financial reports are submitted to the Illinois State Library twice a year.

3.3.3 SYSTEM ETHICS OFFICER



Geoff Bant is a full-time special education aide in the Urbana Schools. He holds a Library Science degree and worked in many of the libraries at the University of Illinois and has been a member of the Urbana Free Library board for several years.

"I believe libraries are the most important cultural institutions we have and should be developed and guarded for the sake of our democracy, our economy and our future".

Geoff Bant

3.3.4 SYSTEM FOIA OFFICER



Gary Denué retired as Associate Dean of Library and Information Services at Southern Illinois University Edwardsville and is a current trustee of the Edwardsville Public Library. In the early 1990's Gary was on the Board of Directors of the Lewis and Clark Library System.

"I am a strong proponent of cooperation, resource sharing and technology as means to strengthen individual libraries and the communities they serve".

Gary Denué

3.3.5 COPY OF LATEST APPROVED BOARD BYLAWS (ATTACHMENT 3)

3.4 GENERAL

3.4.1 SUMMARY APPRAISAL OF SYSTEM REAL ESTATE

Property Description	Own or Rent?	Value of Property	Plans for Property
Carbondale Hub 1740 Innovation Drive Carbondale, IL	Rent	\$2083.34 a month (\$25,000.08 yearly)	Switching locations in the Business Incubator area
Champaign Hub 1704 Interstate Drive Champaign, IL	Own	Appraised value \$850,000 as of 2018	ADA remodel of bathrooms
Edwardsville Hub 6725 Goshen Road Edwardsville, IL	Own	Appraised value \$2,000,000 as of 2015	Mine subsidence repair
Du Quoin Hub 500 W. Madison St. Du Quoin, IL	Rent	\$4500 monthly (\$54,000 yearly)	Contract ends 8/1/2018 Will not renew

Carbondale



Champaign



Edwardsville



3.4.2 INVENTORY OF CURRENT OWNED MOTOR VEHICLES



Type (Model/Year)	License Plate Number	Current Mileage	Type of Use	Will vehicle be replaced in FY2019?
Ford 150 Transit 2016	U30468	184,278	Delivery	yes
Ford 150 Transit 2016	U30469	183,627	Delivery	no
Chevy Cargo Van 2015	U29924	167,596	Delivery	yes
Ford 150 Transit 2016	U30471	184,325	Delivery	yes
Ford E250 2013	U29059	166,522	Delivery	yes
Ford Taurus 2015	U18520	47,108	Staff	no
Dodge Grand Caravan SE Van 20	U25399	126,938	Staff	no
Chevy Express 2015	U29923	69,638	Delivery	no
Chevy Express 2015	U29925	117,575	Delivery	no
Ford E250 2012	U27250	131,921	Delivery	no
Ford E250 Econoline Van 2013	U29062	131,696	Delivery	no
Ford E250 Econoline Van 2013	U20961	127,453	Delivery	yes
Ford Transit T-150 2017	U30839	10,075	Delivery	no
Ford Transit T-150 2017	U30840	10,480	Delivery	no
Ford Transit T-150 2017	U30841	5,583	Delivery	no
Ford box truck 2015	U30209	84,618	Delivery	no
Dodge Grand Caravan	U30423	18,878	Staff	no
Ford Taurus 2015	U8313	36,158	Staff	no
Dodge Green Caravan 2000	U16821	174,560	Staff/Delivery	yes
Chevy Cargo Van 2015	U29922	148,532	Delivery	yes
Ford Transit T-150 2017	U30758	69,992	Delivery	no
Ford Transit T-150 2017	U30759	86,370	Delivery	no
Ford Transit T-150 2017	U30799	64,940	Delivery	no
Ford Transit Van 2016	U30470	95,428	Delivery	no
Ford Transit Van 2016	U30472	150,763	Delivery	yes
Ford Transit Van 2016	U30479	60,249	Delivery	no
Ford Transit Van F-350 2018	U32274	600	Delivery	no
Ford Transit Van F-350 2018	U32276	600	Delivery	no
Dodge Caravan 2001	U21954	96,972	Staff	no
Dodge Caravan 2004	U23770	92,677	Staff/Delivery	no
Ford Taurus 2015	U30129	10,500	Staff	no
Ford Transit 350 HR 2016	U32518	135,897	Delivery	no
Ford Transit F-350 2018	U32275	500	Delivery	no
Ford E-250 Super Cargo Van	U27249	239,364	Delivery	yes
Dodge Caravan (Blue)	U18195	133,070	Delivery	no
Ford F-450 box truck 2015	U31660	35,712	Delivery	no
Ford Transit Van F-350 2018	U32517	2,305	Delivery	no
Ford Transit Van F-350 2018	U32277	11,316	Delivery	no

3.4.3 SUMMARY OF FISCAL YEAR OUT OF STATE TRAVEL

Number of Travelers	Actual Expense	Reason for Travel Destination & Duration
2	\$3,697.94	American Library Association Conference, New Orleans, LA – 4 days
2	\$1,074.77	Great Lakes Resource Sharing Conference, Perrysburg, OH – 3 days
7	\$10,846.08	Innovative Users Group Conference, Orlando, FL – 5 days
2	\$2,698.82	Online Audiovisual Catalogers Conference, Richmond, VA – 3 days
2	\$3,250.51	Public Library Association Conference, Philadelphia, PA – 4 days

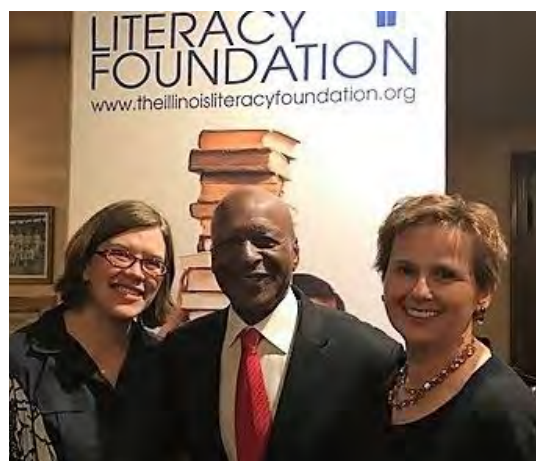
GREAT LAKES RESOURCE SHARING CONFERENCE

Susan Palmer, IHLS Operations Director invited Mark Hatch, her counterpart from RAILS, to present “Delivery, the Silent Partner in Resource Sharing”. They shared the Illinois model of delivery and how it is funded by the Secretary of State office.



AMERICAN LIBRARY ASSOCIATION CONFERENCE

IHLS staff members Lesley Zavediuk, SHARE Circulation & Resource Sharing Specialist, and Leslie Bednar, Director, pictured with Secretary of State Jesse White.



FY 2018 Library System Annual Report
LLSAP Annual Report
Section 4
Adapted from Appendix F of the zILLANE Study

4. LLSAP Annual Report

4.1 This document is an Adaptation of Appendix F of the zILLANE Study.

Instructions

For FY2018, the format of this report is in two sections: **Section 1** is data for the entire RLS (Regional Library System), and **Section 2** is data for each individual LLSAP. We have maintained the same table and numbering scheme to allow the matching of data from preceding years.

Only one Section 1 needs to be submitted for the entire RLS.

Multiple Section 2 reports should be submitted, one for each individual LLSAP. (Individual LLSAP is defined as a separate system-supported automation group that used a separate integrated library system product for FY2018.)

URL for the zILLANE Report: <http://www.unt.edu/zillane/FinalReport.htm>

Section 1

Only one Section 1 needs to be submitted for the entire RLS.

Tables A, E, G, H, part of I

Please note that we need to use common units across RLS for comparison purposes. In counting the libraries in your regional library system, please list both the agency and the buildings. For example a school district might be counted as an agency once but may have numerous buildings or campuses that are libraries.

Some categories of information will not apply to you, but for those that do, please provide requested information.

A. RLS Membership Information	
A1 Number of all public libraries (agencies)	226
A2 Number of all public libraries (buildings)	242
A3 Number of all academic libraries (agencies)	30
A4 Number of all academic libraries (buildings)	77
A5 Number of all school libraries (agencies)	235
A6 Number of all school libraries (buildings)	925
A7 Number of all special libraries (agencies)	29
A8 Number of all special libraries (buildings)	33
A9 Number of all others	1
Total Libraries in RLS	520 agencies / 1277 buildings

E. RLS Libraries Belonging To Other Consortia (Shared Database)	
E1 Number of all public libraries (agencies)	2
E2 Number of all public libraries (buildings)	3
E3 Number of all academic libraries (agencies)	23
E4 Number of all academic libraries (buildings)	69
E5 Number of all school libraries (agencies)	0
E6 Number of all school libraries (buildings)	0
E7 Number of all special libraries (agencies)	2
E8 Number of all special libraries (buildings)	2
E9 Number of all other types	0
Total Libraries Belonging To Other Consortia	27 agencies / 74 buildings

G. RLS Libraries Using Stand Alone Systems	
G1 Number of all public libraries (agencies)	7
G2 Number of all public libraries (buildings)	7
G3 Number of all academic libraries (agencies)	0
G4 Number of all academic libraries (buildings)	0
G5 Number of all school libraries (agencies)	111
G6 Number of all school libraries (buildings)	338
G7 Number of all special libraries (agencies)	5
G8 Number of all special libraries (buildings)	5
G9 Number of all other types	0
Total Stand Alone Libraries	123 Agencies / 350 buildings

H. RLS Libraries that are Not Automated	
H1 Number of all public libraries (agencies)	6
H2 Number of all public libraries (buildings)	6
H3 Number of all academic libraries (agencies)	0
H4 Number of all academic libraries (buildings)	0
H5 Number of all school libraries (agencies)	10
H6 Number of all school libraries (buildings)	97
H7 Number of all special libraries (agencies)	10
H8 Number of all special libraries (buildings)	10
H9 Number of all other types	0
Total Non-Automated Libraries	31 agencies / 113 buildings

I. Bibliographic Information	
I1 What percentage of all RLS libraries' holdings are not represented in your LLSAP shared database, BUT are represented in another consortia shared system?	n/a
I2 What percentage of all RLS libraries' holdings are not represented in your LLSAP shared database or another consortia shared system?	n/a

Section 2

Multiple **Section 2** reports needs to be submitted, 1 for each LLSAP.

Tables 1, 2, B, C, D, F, I, J, K, L, M, N

Please note that we need to try to use common units across LLSAPs for comparison purposes. In counting the libraries in your LLSAP, please list both the agency and the buildings. For example a school district might be counted as an agency once but may have numerous buildings or campuses that are libraries.

Some categories of information will not apply to you, but for those that do, please provide requested information.

Tables 1 and 2 – specific instructions

Please use the following tables to report each individual LLSAP's costs (Table 1) and revenues (Table 2) for the last two fiscal years.

If you have other categories and/or line items to report, please add those to the tables. You can provide explanatory notes either in the tables or following the tables.

There may be categories and/or line items in the form for which you do not record costs or revenues. Please put a N/A in the *FY2018 columns for those items*.

Name of LLSAP

Table 1: Individual LLSAP Operating Expenses

Expenditures	Expense Item	FY2018
Personnel		
	Library Professionals	410,960.99
	Other Professionals	248,479.28
	Support Services	108,570.72
	Social Security Taxes (FICA)	57,012.84
	Unemployment Insurance	3,299.03
	Workers' Compensation	1,310.45
	Retirement Benefits	68,773.71
	Health, Dental, and Life Insurance	108,123.41
	Temporary Help	-
	Training & Professional Development	398.00
	Recruiting	744.95
TOTAL		1,007,673.38
Library Materials		
	Print Materials	-
	Nonprint Materials	-
	E-Resources	79,034.54
TOTAL		79,034.54
Buildings & Grounds		
	Rent	n/a
	Utilities	n/a
	Property Insurance	n/a
	Repairs & Maintenance	n/a
	Janitorial Services & Supplies	n/a
	Other	n/a
TOTAL		-
Vehicle Expense		
	Gas & Oil	1,314.48
	Repairs & Maintenance	n/a
	Vehicle Insurance	n/a
	Vehicle Leasing & Rent	n/a
TOTAL		1,314.48
Travel & CE for Staff & Board		
	In-State Travel	8,746.06
	Out-of-State Travel	6,970.12
	Registration & Other Fees	4,678.20
TOTAL		20,394.38
Continuing Education & Meetings / Others		
TOTAL		n/a
Public Relations		
TOTAL		48.06
Liability Insurance		
TOTAL		n/a

Supplies, Postage & Printing		
	Computer Supplies	15,123.62
	General Office Supplies & Equipment	412.55
	Internal Printing/Photocopying	n/a
	Postage	827.86
	Library Supplies	n/a
	Other	n/a
TOTAL		16,364.03
Telephone & Telecomm		
	Local/Long Distance – Voice	16,672.01
	Telecomm – Data & Fax	n/a
TOTAL		16,672.01
Equipment Rental, Repair & Maintenance		
	Equipment Rental	n/a
	Equipment Repair & Maintenance	3,486.20
	Maintenance Agreement	n/a
	Computer Hardware Insurance	n/a
TOTAL		3,486.20
Professional Services		
	Legal	n/a
	Accounting	10,000.00
	Consulting	n/a
	Contractual Staff	8,793.75
TOTAL		18,793.75
Contractual Services		
	Information Services (bibliographic databases, online subscriptions, etc)	232,202.50
	Contractual Agreements	3,076.67
	Outside Printing	n/a
	Other Contractual Services	70.68
TOTAL		235,349.85
Interlibrary Loan Charges		
TOTAL		n/a
Professional Association Membership Dues		
TOTAL		100.00
Miscellaneous		
TOTAL		379.30
Member Library Reimbursement Expense		
TOTAL		241,867.08
TOTAL OPERATING EXPENSES		1,641,477.06

Table 2
LLSAP Annual Revenues

Revenues	Revenue Item	FY2018
State Grants		

TOTAL		n/a
Federal Grants		
TOTAL		n/a
Other Grants		
TOTAL		27,705.00
LLSAP Participation / Service Fees		
	Annual Participation Fees (from all categories of participants)	1,492,660.18
	One-Time Startup Fees	16,000.00
	Other (SAM & ICN)	13,420.80
TOTAL		1,522,080.98
Interest Income		
TOTAL		12,204.62
Other Revenue		
	Miscellaneous	248.14
	Grant Administration Fee	26,638.90
TOTAL		26,887.04
TOTAL REVENUE		1,588,877.64

Tables B-O: LLSAP Supplemental Information

B. LLSAP Participation Information – Full Fee-Paying Participant	
B1 Number of all public libraries (agencies)	200
B2 Number of all public libraries (buildings)	218
B3 Number of all academic libraries (agencies)	8
B4 Number of all academic libraries (buildings)	8
B5 Number of all school libraries (agencies)	108
B6 Number of all school libraries (buildings)	232
B7 Number of all special libraries (agencies)	13
B8 Number of all special libraries (buildings)	13
B9 Number of all other types	3
Total Full Fee-Paying Participants	330 agencies/474 buildings
Is RLS an LLSAP participant?	Yes
Does RLS pay participation fees as others?	No
C. LLSAP Participation Information – Partial Fee-Paying Participant	
C1 Number of all public libraries (agencies)	9
C2 Number of all public libraries (buildings)	9
C3 Number of all academic libraries (agencies)	0
C4 Number of all academic libraries (buildings)	0
C5 Number of all school libraries (agencies)	3
C6 Number of all school libraries (buildings)	4
C7 Number of all special libraries (agencies)	0
C8 Number of all special libraries (buildings)	0
C9 Number of all other types	
Total Partial Fee-Paying Participants	12 agencies/13 buildings

D. LLSAP Participation Information – Holdings Only Represented	
D1 Number of all public libraries (agencies)	0
D2 Number of all public libraries (buildings)	0
D3 Number of all academic libraries (agencies)	0
D4 Number of all academic libraries (buildings)	0
D5 Number of all school libraries (agencies)	0
D6 Number of all school libraries (buildings)	0
D7 Number of all special libraries (agencies)	0
D8 Number of all special libraries (buildings)	0
D9 Number of all other types	0
Total Holdings Only Represented	

F. Participants	
F1 Participants as of June 30, 2018	342 agencies/487 buildings

I. Bibliographic Record Information	
I1 Total number of bibliographic records in database	1,848,090
I2 Total number of item records in database	9,401,049
I3 Total number of patrons listed in patron database	795,962

J. LLSAP Use by All Participants	
J1 Total search transactions in past 12 months (FY2018)	8,275,305
J2 Total circulation transactions in past 12 months (FY2018)	9,310,968
J3 Total interlibrary loan transactions in FY2018	1,693,928
J4 Total reciprocal borrowing transactions in FY2018	647,995

K. Cost and Revenue Information	
K1 Annual Total Fees Received From Full Members	1,025,357.44
K2 Annual Total Fees Received From Partial Members	8,542.50
K3 Annual Fees/Support Received From RLS	250,000
K4 FTEs Charged to LLSAP Operating Expenses	14.5
K5 FTEs Supporting LLSAP but Not Charged to LLSAP operating costs	0
K6 Annual Total Cost of Operating the LLSAP	1,641,477.06

L. Cost Components of Operating the LLSAP	
Personnel	1,007,673.38
Library materials	79,034.54
Vehicle Expense	1,314.48
Travel & CE for Staff & Board	20,394.38
Public Relations	48.06
Supplies, Postage & Printing	16,364.03
Telephone & Telecommunications	16,672.01
Equipment Rental, Repair & Maintenance	3,486.20
Professional Services	18,793.75
Contractual Services	235,349.85
Professional Association Membership Dues	100.00
Miscellaneous	379.30
Member Library Reimbursement Expense	241,867.08
Total All Expenditures	1,641,477.06

M. Cost Components to Participate in the LLSAP—Startup	
Implementation fees	\$4,000.00
Retrocon Cataloging	\$2,500.00
Data Migration fees	Individually determined
Acquisitions (optional)	\$250.00
SIP2 for PC Management (optional)	\$200.00
SIP2 for Self-Check (optional)	\$300.00
Telephone Notification (optional)	\$500.00

N. Cost Components to Participate in the LLSAP—Ongoing	
SHARE Member Fee (annual, charged per agency, not building)	\$150.00
SHARE Basic Fee—Academic Libraries (annual)	\$1 x full time enrollment + 5%; \$1,550.00 minimum
SHARE Basic Fee Public Libraries (annual)	1% to 1.5% of budget reported on IPLAR (line items 9.1, 9.2, 9.3, 9.4 only) + 5%; \$1,050.00 minimum fee
SHARE Basic Fee School Libraries (annual)	Determined by ISBE's Fall Housing Count; \$600.00 + 5% minimum fee; \$3,500.00 + 5% maximum fee
SHARE Basic Fee Special Libraries (annual)	Calculation formula = ((annual circulation x .05) + (total items x .03) + (total patrons x .03)) x .05
SHARE Bibliographic Services	Cataloging Libraries—no fees Barcoding A libraries—14% of materials budget (not including eResources or periodicals), less \$100.00, with a minimum fee of \$100.00; paid annually Barcoding B libraries—per item charge (\$10 or \$3) for items cataloged by SHARE staff; billed quarterly
Polaris Module Course Reserves (optional)	\$100.00
Polaris Module Outreach/Homebound (optional)	\$100.00
Polaris Module Debt Collection (optional)	\$250.00
Polaris Module SIP2 for PC Management (optional)	\$200.00
Polaris Module SIP@ for Self Check (optional)	\$300.00
Polaris Module Telephone Notification (optional)	\$1,000.00
Polaris Module EDI (Electronic Data Exchange) (optional)	\$500.00

FY 2018 Library System Annual Report
Delivery Annual Report
Section 5

5. 1 Delivery Annual Report

In addition to including delivery goals, objectives, and activities in the Annual Report Narrative (1.1) and statistics in the Annual Report section 3.1.4, complete Tables 1 and 2 with information specific to the delivery service only.

For FY2018, this report includes both system and ILDS delivery.

Table 1: Delivery Operating Expenses

Delivery Expenditures	Expense Item	FY2018 System Delivery	FY2018 ILDS
Delivery Personnel			
	Library Professionals	-	-
	Other Professionals	195,291.12	21,698.91
	Support Services	552,572.09	153,422.03
	Social Security Texas (FICA)	57,161.21	13,340.19
	Unemployment Insurance	9,278.16	1,905.71
	Workers' Compensation	35,334.64	11,916.56
	Retirement Benefits	26,635.38	10,285.88
	Health, Dental, and Life Insurance	35,017.13	19,777.39
	Retention & Wellness	97.84	-
	Temporary Help	-	-
	Recruiting	878.40	-
	TOTAL	912,265.97	232,346.67
Delivery Buildings & Grounds			
	Rent	33,962.77	-
	Utilities	14,529.32	-
	Property Insurance	6,110.15	-
	Repairs & Maintenance	10,283.22	70.06
	Janitorial Services & Supplies	3,437.09	-
	Other	9,823.69	-
	TOTAL	78,146.24	70.06
Delivery Vehicle Expense			
	Fuel	121,708.22	39,187.18
	Repairs & Maintenance	41,266.96	6,790.37
	Vehicle Leasing	97.83	-
	Vehicle Insurance	14,796.00	2,587.00
	Other Vehicle Expense	6,049.69	626.30
	TOTAL	183,918.70	49,190.85
Travel & CE for Delivery Staff			
	In-State Travel	577.96	102.02
	Out-of-State Travel	-	-
	Registration & Other Fees	1,655.35	307.58
	TOTAL	2,233.31	409.60
Public Relations			
	TOTAL	89.41	-

Delivery Expenditures	Expense Item	FY2018 System Delivery	FY2018 ILDS
Delivery Liability Insurance			
	TOTAL	4,912.02	-
Supplies, Postage & Printing			
	Delivery Supplies	8,036.87	1,719.23
	Computers, Software & Supplies	450.80	-
	General Office Supplies & Equipment	217.27	23.83
	Internal Printing/Photocopying	-	-
	Postage	240.41	-
	Library Supplies	-	-
	Other	6.97	-
	TOTAL	8,952.32	1,743.06
Delivery Telephone & Telecomm			
	Local/Long Distance – Voice	9,865.69	-
	Telecomm – Data & Fax	-	-
	TOTAL	9,865.69	-
Delivery Equipment Rental, Repair & Maintenance			
	Equipment Rental	-	-
	Equipment Repair & Maintenance	2,773.92	-
	Maintenance Agreement	-	-
	Computer Hardware Insurance	-	-
	TOTAL	2,773.92	-
Delivery Professional Services			
	Legal	-	1,417.50
	Accounting	5,523.01	-
	Consulting	-	-
	Contractual Staff	-	-
	TOTAL	5,523.01	1,417.50
Delivery Contractual Services			
	Contractual Agreements with commercial carriers	-	-
	TOTAL	-	-
TOTAL OPERATING EXPENSES		1,208,680.59	285,177.74

Table 2: Delivery Supplemental Statistics as of June 30, 2018

2. 1 All Agencies	Number receiving system-provided delivery	Number receiving outsourced delivery	Total
Public libraries (agencies)	226	n/a	226
Academic libraries (agencies)	30	n/a	30
School libraries (agencies)	235	n/a	235
Special libraries (agencies)	29	n/a	29
TOTAL	520		520

3.3 CDP Agencies	Number participating in CDPs as host	Number participating in CDPs as participant
Public libraries (agencies)	53	1
Academic libraries (agencies)	0	1
School libraries (agencies)	3	102
Special libraries (agencies)	0	0
TOTAL	56	104

3.5 Agency Delivery by Frequency	Number in functional frequency categories (include all types of delivery)
On Demand	0
2 day per week	0
3 day per week	0
4 day per week	0
5 day per week	520
Other	0
TOTAL	520

ILLINOIS HEARTLAND LIBRARY SYSTEM

REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2018

ILLINOIS HEARTLAND LIBRARY SYSTEM

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ILLINOIS HEARTLAND LIBRARY SYSTEM

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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

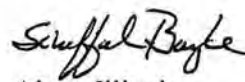
As part of obtaining reasonable assurance about whether Illinois Heartland Library System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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>

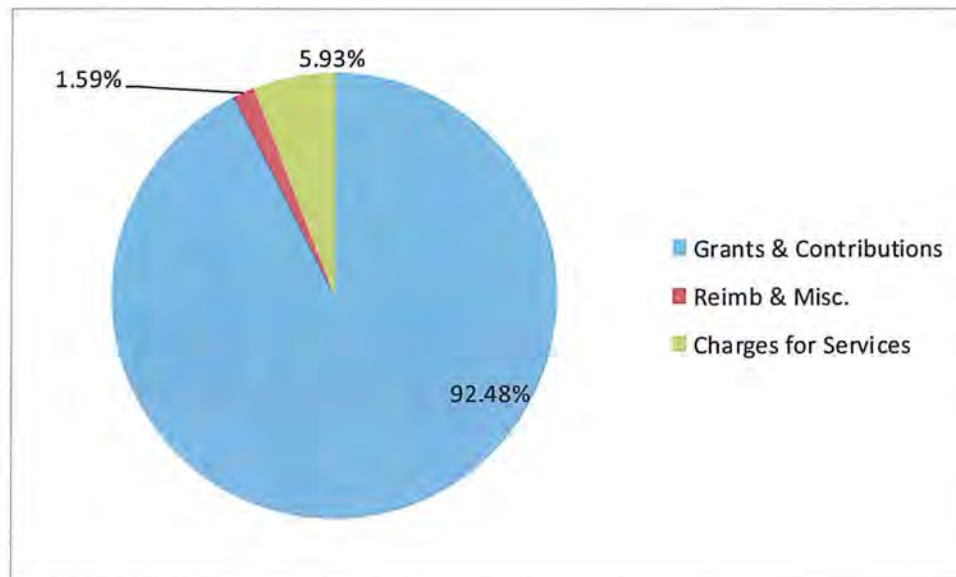
ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

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

	General Fund	Major Fund CMC Grant Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
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	(2,649,214)
Total Capital Assets	<u>283,615</u>
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

	Computer Development Fund
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	<u>(82,513)</u>
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>	\$ 265,070		<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>	\$ 95,744		<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

	<u>Budget</u>		<u>Actual</u>	<u>Variance (Actual - Final Budget)</u>
	<u>Original</u>	<u>Final</u>		
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

Calendar year ending December 31,	LAST 10 CALENDAR YEARS (schedule to be built prospectively from 2014)									
	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

	Plinkit Project	OCLC Grant	Marc of Quality Grant	SWAYS	Growing SHARE Fund	Total Non-Major Special Revenue Funds
REVENUES:						
State Grants:						
Illinois State Library		\$ 135,507	\$ 8,200			\$ 143,707
Other				\$ 270		270
Total Revenues	\$ 0	\$ 135,507	\$ 8,200	\$ 270	\$ 0	\$ 143,977
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	\$ 24,414	\$ 157,344	\$ 8,200	\$ 182	\$ 0	\$ 190,140
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(24,414)	(21,837)	0	88	0	(46,163)
OTHER FINANCING SOURCES (USES)						
Transfers-In (Out)	(17,050)				(1,878)	(18,928)
NET CHANGE IN FUND BALANCE	(41,464)	(21,837)	0	88	(1,878)	(65,091)
FUND BALANCE, BEGINNING OF YEAR	41,464	20,508	0	1,886	1,878	65,736
FUND BALANCE (DEFICIT), END OF YEAR	\$ 0	\$ (1,329)	\$ 0	\$ 1,974	\$ 0	\$ 645

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	\$ 8,200	\$ 8,200	\$ 8,200
EXPENDITURES:			
General Library Services:			
Contractual Services	\$ 8,200	\$ 8,200	\$ 8,200
Total Expenditures	\$ 8,200	\$ 8,200	\$ 8,200
NET CHANGE IN FUND BALANCE	\$ 0	\$ 0	0
FUND BALANCE - BEGINNING OF YEAR			0
FUND BALANCE - END OF YEAR			\$ 0

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

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

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.

3.3.5 Copy Of Latest Approved Bylaws

Article I Name

The name of the organization shall be Illinois Heartland Library System, hereinafter referred to as the System.

Article II Authority

The System derives its authority from the Illinois Library System Act, 75 Illinois Compiled Statutes 10/1 et.seq. as amended (hereinafter called "Statutes"); and operates in accordance with the Administrative Rules of Title 23, Part 3030 of the Illinois Administrative Code (hereinafter called "Administrative Rules") promulgated thereunder.

Article III Purpose/Objectives/Vision & Mission

Section 1. The System is a cooperative multi-type library system serving academic, public, school, and special libraries of central and southern Illinois in the counties of Alexander, Bond, Calhoun, Champaign, Christian, Clark, Clay, Clinton, Coles, Crawford, Cumberland, Douglas, Edgar, Edwards, Effingham, Fayette, Ford, Franklin, Gallatin, Greene, Hamilton, Hardin, Iroquois, Jackson, Jasper, Jefferson, Jersey, Johnson, Lawrence, Macon, Macoupin, Madison, Marion, Massac, Menard, Monroe, Montgomery, Moultrie, Perry, Piatt, Pope, Pulaski, Randolph, Richland, Sangamon, Saline, St. Clair, Shelby, Union, Vermilion, Wabash, Washington, Wayne, Williamson, White, and parts of DeWitt, Logan and Mason and other counties that may be associated with the System in the future.

Section 2. The System envisions a future where all libraries and information partners collaborate to provide accessible and innovative services. (Vision) The System is a community of multi-type libraries developing partnerships and sharing resources in pursuit of excellent service. (Mission)

Section 3. In accordance with its Strategic Plan and its Annual Plan of Service, the System provides services and facilitates cooperation among its member libraries in order to implement the objectives stated in the Statutes and Administrative Rules.

Section 4. To achieve its purpose, the System responsibly utilizes the Area & Per Capita Grant appropriation from the Illinois General Revenue Fund and Live and Learn Fund as disbursed and administered by the Illinois State Library as a department of the Secretary of State's Office. Additionally, the System actively pursues alternative revenue streams and earned income opportunities to fulfill its mission.

Article IV Fiscal Year

The fiscal year of the System shall begin with July 1 and end with June 30.

Article V Membership

Section 1. The Statutes and Administrative Rules of the State of Illinois and the Membership Criteria of the System govern Membership in the System. All academic, public, school and special libraries whose governing authority headquarters are within the geographic boundaries of the System are eligible to apply for membership. Participating libraries will hereinafter be known as Members. Acceptance is subject to the approval of the Board of Directors of the System and the State Librarian and implies agreement by the applying library to applicable State statutes and rules and to the System's Bylaws, policies and Plan of Service. Members agree to comply with policies, rules and regulations required for maintaining Membership.

Section 2. Any Member library may be suspended from Membership if not in compliance with State statutes or System requirements. Members will remain in good standing as long as they meet System and State Membership criteria in compliance with statute 75 ILCS 10/9. Specific information about Suspension can be found in the Administrative Rules (3030.115).

Section 3. Transfer of a Member library to another System shall be governed by the administrative rules of the Illinois State Library.

Section 4. Upon written notice on or before April 1 of any year, a member library governing authority may voluntarily terminate System membership on or before June 30 of the same year (the end of the System's fiscal year) and upon fulfillment of all outstanding obligations to the System.

Article VI Board of Directors

Section 1. The System shall be governed by a Board of Directors of fifteen (15) members. No library shall be represented by more than one Board member. All Board members must be eligible electors in the geographical area of the System. Eligible electors are individuals who are eligible to register to vote within the territory of the System.

Section 2. Duties of Board

The Board of Directors of the System shall have the authority to make such policy to carry out the spirit and intent of The Illinois Library System Act, and shall have the powers conferred by the Act.

Section 3.

The Board of Directors shall be composed of elected members according to the following manner:

- a. Eight (8) members from the governing boards of public library members.
- b. Two (2) members representing public libraries
- c. Three (3) members representing school libraries
- d. One (1) member representing special libraries
- e. One (1) member representing academic libraries

Section 4. Nominating Committee for the Board of Directors.

A Nominating Committee of five (5) members, who shall be eligible electors within the geographic area of the System, shall be appointed by the President of the System Board, with Board approval, in

November of each year. It is the preference of the Board that a minimum of two members from the current Nominating Committee will serve the following year in order to ensure continuity of the process. No currently sitting System Board member may serve on the Nominating Committee and no Nominating Committee Member may be slated for that election to the System Board.

a. The Nominating Committee shall select and confirm candidates for election to the System Board representing all geographic areas. Nominees must be members of a governing board of a member library, professional staff or the administration of the type of library to be represented as set out in these Bylaws. The call for nominations will be appropriately publicized to the Members of the System and any member may propose names for the Nominating Committee's consideration. Additional nominations may be sent to the Nominating Committee upon written petitions of ten (10) member libraries represented by the type of seat on the System Board to be filled. Such petitions, accompanied by written acceptance of the nominee, must be filed with the System Board Secretary who will forward them to the Chair of the Nominating Committee for inclusion on the list of nominees. Criteria for the inclusion or any elimination of names to appear on the ballot will be developed by the Nominating Committee, and this information will be included with the certification results presented to the Board at its May meeting. The determination of the final slate of candidates is the responsibility of the Nominating Committee, with the goal of creating a balanced ballot representative of all System members.

b. The Nominating Committee shall prepare a ballot and certify that all candidates are eligible electors in the geographic area of the System. The ballot will include no more than four (4) eligible candidates for each open seat. In the event that there are no eligible candidates for an open position on the IHLS board, there will be a write-in vote. Any viable write-in candidate will be required to meet all eligibility criteria for the specific board position and must receive a minimum of five (5) affirmative votes in order to win election. The nominating committee must verify the winning candidate. If there is no clear winner from the write-in vote, the president will appoint a new board member.

c. The ballot will be distributed to each member library agency electronically by March 15. A library agency is defined as a library or libraries with a single governing body or corporate authority. For example, a public library with branches would be counted as a single agency as would a school district with libraries in several buildings. Each library will be entitled to return only one ballot for its choice of candidates for the System Board of Directors. Before the vote is cast, each library agency should determine who will be responsible for casting the vote for its agency. The Nominating Committee will accept only the first completed ballot, if multiple votes are cast by the same library agency.

d. Ballots must be completed and submitted by April 15th to be counted. In the event of a tie, a subsequent election to break the tie will be announced no later than April 25th. This ballot will be available electronically for one full week. The Nominating Committee will certify the election results to the System Board of Directors at its May meeting each year.

Section 5. Terms of Office

- a. Except for those Board members who are elected to the Initial System Board in 2011 and who draw either one or two year terms as provided in Section 4d above, and for those board members whose term might be limited by Section 5b below, all Board members will be elected for a term of three (3) years.
- b. No Board member shall be permitted to serve for more than a total of six (6) consecutive years unless two (2) years have elapsed since his/her sixth year of service.
- c. All terms of office shall be staggered, with one-third of the board seats ending each year.
- d. Terms of office begin on July 1 and end on June 30, the System's fiscal year.
- e. Any appointment to the System Board for a partial term is counted as a full year of service at the conclusion of the most current fiscal year.
- f. Prior service in office on the board of directors of any Illinois Library System, shall count toward the statutory maximum of serving a total of no more than six (6) years as a director, unless two years has elapsed since their sixth year of service.

Section 6. Economic Interest

- a. No member of the System Board may profit personally, either directly or indirectly, from any business connected with the System.
- b. Each member of the System Board shall file a Statement of Economic Interest pursuant to the Illinois Governmental Ethics Act.
- c. All records and accounts of the System shall be kept in the System headquarters office and in the custody of the Executive Director. All such records and accounts shall be open to the inspection and use of all members of the System Board at all reasonable times.
- d. The members of the System Board shall serve without compensation, but their actual and necessary expenses shall be paid by the System.

Section 7.

Should a board member no longer be an eligible elector within the geographic area of the System, or leave the local position by virtue of which he/she was eligible, nominated and elected, the seat shall be declared vacant. Vacancies may be filled by appointment by the remaining members of the Board. The appointee shall serve for the unexpired term of the Director replaced. Persons appointed must have the same qualifications as those elected, and represent the constituency of the vacant seat.

Section 8. Officers

- a. The Officers of the Board of Directors shall be a President, Vice-President, Secretary, and Treasurer.
- b. The Board Nominating Committee shall present a slate of candidates to the Board at the first meeting of the fiscal year. Additional nominations may be made from the floor. The Directors shall then vote on the slate of candidates.

- c. The Officers shall be elected for one year, and no Officer shall serve more than two consecutive terms. A term of six months or more shall be considered a full term.
- d. The duties of the Officers shall be:
 - i. The President shall preside at all meetings of the Board, appoint any necessary committees, be an ex officio member of all committees, and be entitled to vote on such committees.
 - ii. The Vice-President shall preside at meetings in the absence of the President, and shall in case of the resignation of the President assume the President's responsibilities until the election of a new President.
 - iii. The Secretary shall have responsibility for the records of the Board of Directors.
 - iv. The Treasurer shall be chairperson of the Finance Committee. Before entering the duties, the Treasurer shall be required to give a bond in an amount to be approved by the Board, but in no case less than the minimum amount specified in the Library System Act.
 - v. Should an office become vacant prior to the expiration of the term of that office, the Directors shall elect from their members an Officer to fill the unexpired term.

Section 9. Attendance of Board members

Board members are expected to fulfill the duties imposed on them by the nature of their office. Board members must notify the System Executive Director if they are unable to attend a board meeting. When a Board member is absent from a meeting, the following actions will be taken. The President shall notify in writing any member missing his or her second meeting. Upon a member's third absence the topic will be included on the agenda for discussion at the next meeting. The System Board, by a majority vote may, with a quorum present, declare a Board position vacant if a Director fails to attend three (3) meetings during the fiscal year.

Section 10. Committees

The President of the Board of Directors shall appoint committees. Membership on standing committees is limited to members of the Board of Directors; excluding the Nominating Committee which is made up of members only. Membership on committees shall be not less than three. Members of the Board of Directors are limited to membership on two standing committees, excluding the Executive Committee. Terms on committees are for one year, or until such time as new appointments are made.

Executive Committee:

The elected officers of the Board of Directors plus one other Board member shall constitute the Executive Committee. A majority of the Executive Committee may authorize payment of bills in the event a meeting cannot be held. The duties of the committee shall be:

- a. To conduct business between regularly scheduled meetings of the Board of Directors
- b. To provide for the annual evaluation of the Executive Director
- c. To review the By-Laws of the System annually

Standing Committees (other than Nominating Committee for the Board of Directors):

- a. Budget and Finance
 - i. The Treasurer shall be the chair of this committee
 - ii. The committee assumes that the Board of Directors as a whole has the responsibility to review and approve the overall budget as submitted by the

Executive Director

- iii. To establish the budget tracking and reporting standards provided by the Chief Fiscal Officer as are appropriate to the needs of the committee
- iv. To monitor System expenditures and income and report significant variances to the Board of Directors*
- v. To review expenses over \$2,500.00 not included in the currently approved budget
- vi. To review quarterly projections provided by the Chief Fiscal Officer
- vii. To review and provide guidance to the Board of Directors on policies or recommendations having potential financial implications
- viii. To review annual audit findings
- ix. To expect the Chief Fiscal Officer to brief the committee on up-coming known issues that will skew the financials in some significant manner
- x. To establish criteria for insurance (board, property, fleet) carriers, review and approve specifications for bids
- xi. To update the salary schedule appropriately based upon information from the Executive Director.

*The committee would not generally expect to be involved in financial matters that are within the parameters of an established budget, other than as a monitor function. Certainly, establishment of policies that impact finances, anything that would suggest the need to expend contingency funds or move funds, is within the realm of Committee purview. It would be our desire to review planned changes before taking them to the Board when changes from the budget are proposed (even if the overall budget for the line will remain unaffected). For example, when creating a new position not initially funded or deciding to add/eliminate a capital project, the Committee would expect to review and comment on such a change to the Board.

b. Facilities and Operations

- i. To review the property needs of the System
- ii. To review that system property fits into the System strategic plan
- iii. To review property leases and purchases
- iv. To review delivery policies

c. Personnel

- i. To review position descriptions and staffing requirements of the System
- ii. To review and update the personnel code of the System

d. Policy and Membership

- i. To review and update the service policies of the System
- ii. To review and evaluate progress in fulfilling the System strategic plan
- iii. To review continued membership eligibility of libraries that are members of the System

e. Nominating Committee for Officers of the Board

- i. To develop a slate of officer candidates from the Directors serving on the board at the beginning of the fiscal year
- ii. Each candidate shall be contacted about their willingness to serve as an officer

- iii. The Slate of Officers shall be voted on at the July meeting of the Board

Ad Hoc Committees

The President may appoint Ad Hoc committees as needed. Members of Ad Hoc committees may also include other personnel associated with the System, but who are not members of the Board of Directors. Ad Hoc committees must include members of the Board, and no library associated with the System can have more than one member on an Ad Hoc committee.

Section 11. Meetings

- a. The Board shall hold a minimum of nine (9) regular monthly meetings per year to conduct the business of the System. The dates, times and locations of the meetings shall be determined at the July meeting. Board agendas shall be posted in accordance with the Illinois Open Meetings Act.
- b. All Board and Committee meetings will be conducted in full compliance with the Open Meetings Act (5 ILCS 120/1 et seq.). All Board, Committee, and sub-committee meetings will be conducted in full compliance with the Open Meetings Act (5 ILCS 120/1 et seq.) and the IHLS Policy on Meetings via Electronics Means.
- c. The President may call special meetings on his/her initiative; the President must call a special board meeting when requested by at least five (5) board members. Notice shall be given 48 hours prior to the date of the meeting and shall state the business to be transacted. The meeting will be limited to the business stated.
- d. A quorum shall be a simple majority of the members of the System Board. With fifteen (15) members, the quorum is eight (8).
- e. Should both the President and Vice-President be absent from any meeting, the Directors present shall choose, from among their number, a temporary, presiding Officer who shall be designated President Pro Tem for that meeting.
- f. A roll call vote shall be taken for the expenditure of funds, execution of a contract, and upon the request of any board member.
- g. Standard Order of Business will comply with the Open Meetings Act.

Article VII Executive Director

The Executive Director shall be the System's Chief Executive Officer and be responsible for the administration of the System. The qualifications of the Executive Director shall include a Master's degree from an American Library Association accredited library education program and who has a minimum of five years postgraduate employment that includes a minimum of two that were in library administrative experience. The Executive Director shall have the authority to hire such other employees as may be necessary, to fix their compensation, and remove such appointees, subject to the approval of the Board. The acts of the Executive Director are subject to the approval of the Board. The Executive Director reports to and is responsible directly to the Board. Performance is evaluated by the Board of

Directors based upon the agency's ability to serve the needs of its membership and achieve the goals of the Board.

Article VIII Advisory Councils

The Executive Director shall form Advisory Councils to serve as an effective liaison between the librarians of the System and the Executive Director. The purpose of the committee is to:

1. Promote System development
2. Provide input and review of changes to System policy and membership criteria
3. Initiate suggestions to the Executive Director and the Board

Members of the Advisory Councils shall serve three-year terms.

Article IX LLSAP Governance Group

The LLSAP membership shall form a governance group that will act as an effective liaison between the LLSAP membership and the IHLS Board of Directors. The purpose of this group is to:

1. Promote membership excellence and involvement.
2. Provide input and review of changes to LLSAP governance documents.
3. Initiate suggestions regarding the LLSAP to the Executive Director and the IHLS Board of Directors.

Members of the LLSAP governance group shall serve according to the guidelines set by the LLSAP governance and its membership.

Article X Parliamentary Authority

All meetings shall be conducted in accordance with Robert's Rules of Order, latest edition, and shall be open to the public in compliance with the "Illinois Open Meetings Act," as amended (ILCS 120/1 et.seq.)

Article XI Amendments and Revisions

Section 1. These By-Laws may be amended by a vote of two-thirds (2/3) of all Board members at a regular Meeting of the Board of Directors of the System provided a written draft of the proposed amendments has been given to each Director at the preceding regular meeting with notice to all member libraries.

Section 2. By-Laws changes can originate from the System Board or from the membership of the System submitted to the System Board.

Section 3. By-Laws changes must be submitted for approval by the State Librarian through the Illinois State Library before they shall become effective.

Approved by Planning Panel on February 26, 2011
Approved by the Illinois Heartland Library System Transition Board on March 29, 2011
Approved by the Illinois Heartland Library System Board of Directors on July 5, 2011
Amended by the Illinois Heartland Library System Board of Directors on August 23, 2011
Amended by the Illinois Heartland Library System Board of Directors on August 28, 2012
Amended by the Illinois Heartland Library System Board of Directors on February 26, 2013
Amended by the Illinois Heartland Library System Board of Directors on July 23, 2013
Amended by the Illinois Heartland Library System Board of Directors on October 22, 2013
Amended by the Illinois Heartland Library System Board of Directors on May 27, 2014
Amended by the Illinois Heartland Library System Board of Directors on October 28, 2014
Amended by the Illinois Heartland Library System Board of Directors on November 25, 2014
Amended by the Illinois Heartland Library System Board of Directors on March 5, 2015
Amended by the Illinois Heartland Library System Board of Directors on July 28, 2015
Amended by the Illinois Heartland Library System Board of Directors on April 26, 2016