

ILLINOIS HEARTLAND LIBRARY SYSTEM

REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2019

ILLINOIS HEARTLAND LIBRARY SYSTEM

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ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON

August 27, 2019

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, 2019, 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, 2019, 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 38-44 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, 2019, 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

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

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, 2019 (FY2019). 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 28,141 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 and FY2019, 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. In FY2019, 524 libraries of various types participated as members of IHLS (30 academics, 227 publics, 235 school districts, and 32 special libraries). Membership totals fluctuate from year to year for several reasons – libraries are suspended for failure to meet membership qualifications, agencies such as school districts and academic libraries consolidate locations as a cost-savings measure, and new library agencies apply for and are approved as a member. The service area comprises 58 counties in central and southern Illinois. Services are focused on supporting resource sharing through library materials delivery, library automation services, and cataloging.

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

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

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

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

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 10 contains the *Statement of Net Position* which presents information on all IHLS's assets and liabilities as of June 30, 2019. The *Statement of Activities*, found on page 11, reflects the change in Net Position and FY2019 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 FY2019 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 FY2019, 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, 2019

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, 2019, *SHARE* currently represents 334 agencies (utilizing 470 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 16-18 of this report. The fees collected for this service support out-of-pocket expenditures (including direct staff and their benefits).

Fiduciary Fund

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

Notes to the Financial Statements

The notes provide additional information and insight that is essential to a full understanding of the data provided. *The Notes to the Financial Statements* can be found on pages 20-37 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 38-44 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 45-51 of this report.

Government-Wide Financial Analysis

Over time, Net Position may serve as a useful indicator of an entity's financial position. IHLS's Assets exceeded Liabilities by \$10,253,923 at the close FY2019.

The largest portion of the IHLS's Net Position (64%) 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, 2019

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$ 6.6	\$ 6.3	\$ 1.7	\$ 1.5	\$ 8.3	\$ 7.8
Noncurrent Assets	1.6	3.9	0.2	1.2	1.8	5.1
Total Assets	<u>\$ 8.2</u>	<u>\$ 10.2</u>	<u>\$ 1.9</u>	<u>\$ 2.7</u>	<u>\$ 10.1</u>	<u>\$ 12.9</u>
Deferred Outflows of Resources	<u>\$ 3.2</u>	<u>\$ 0.8</u>	<u>\$ 1.3</u>	<u>\$ 0.3</u>	<u>\$ 4.5</u>	<u>\$ 1.1</u>
Current and Other Liabilities	\$ 0.1	\$ 0.3	\$ 0	\$ 0.1	\$ 0.1	\$ 0.4
Long-Term Liabilities	1.3	0.1	0.7	0.1	2.0	0.2
Total Liabilities	<u>\$ 1.4</u>	<u>\$ 0.4</u>	<u>\$ 0.7</u>	<u>\$ 0.2</u>	<u>\$ 2.1</u>	<u>\$ 0.6</u>
Deferred Inflows of Resources	<u>\$ 1.6</u>	<u>\$ 2.1</u>	<u>\$ 0.6</u>	<u>\$ 0.8</u>	<u>\$ 2.2</u>	<u>\$ 2.9</u>
Net Position						
Net Investment in Capital Assets	\$ 1.6	\$ 1.7	\$ 0.3	\$ 0.3	\$ 1.9	\$ 2.0
Restricted	0	0	0	0	0	0
Unrestricted	6.8	6.8	1.6	1.7	8.4	8.5
Total Net Position	<u>\$ 8.4</u>	<u>\$ 8.5</u>	<u>\$ 1.9</u>	<u>\$ 2.0</u>	<u>\$ 10.3</u>	<u>\$ 10.5</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, 2019. 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, 2019 and 2018:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues						
Charges for Services	\$ 0.2	\$ 0.2	\$ 1.5	\$ 1.6	\$ 1.7	\$ 1.8
Operating Grants and Contr.	3.9	3.8			3.9	3.8
General Revenues	0.2			0.1	0.2	0.1
Internal Activity - Transfers	(0.3)	(0.2)	0.3	0.2		
Total Revenues	<u>\$ 4.0</u>	<u>\$ 3.8</u>	<u>\$ 1.8</u>	<u>\$ 1.9</u>	<u>\$ 5.8</u>	<u>\$ 5.7</u>
Expenses:						
General Library Services	\$ 4.1	\$ 3.3			\$ 4.1	\$ 3.3
Computer Development			\$ 1.9	\$ 1.7	1.9	1.7
Total Expenses	<u>\$ 4.1</u>	<u>\$ 3.3</u>	<u>\$ 1.9</u>	<u>\$ 1.7</u>	<u>\$ 6.0</u>	<u>\$ 5.0</u>
Change in Net Position	\$ (0.1)	\$ 0.6	\$ (0.1)	\$ 0.2	\$ (0.2)	\$ 0.8
Beginning Net Position	8.5	7.9	2.0	1.8	10.5	9.7
Ending Net Position	<u>\$ 8.4</u>	<u>\$ 8.5</u>	<u>\$ 1.9</u>	<u>\$ 2.0</u>	<u>\$ 10.3</u>	<u>\$ 10.5</u>

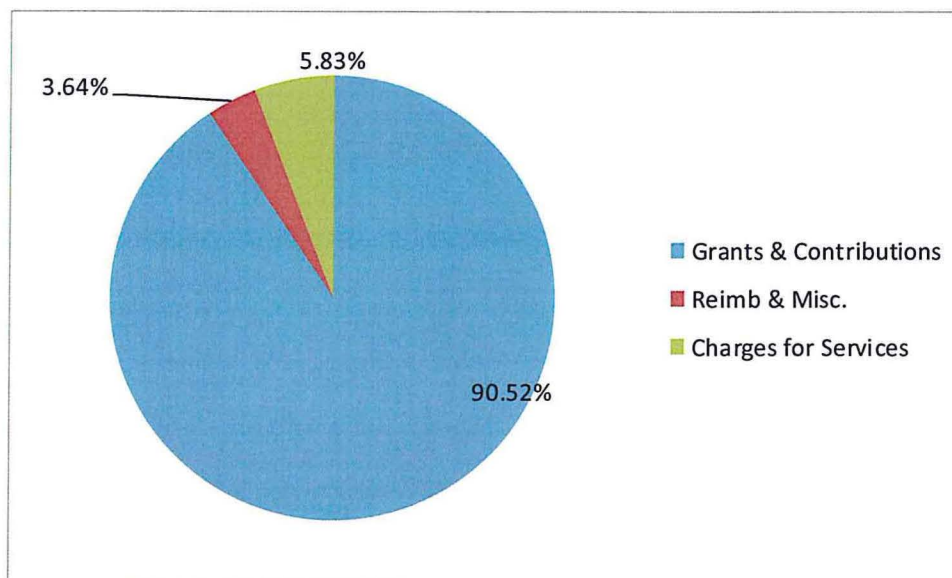
ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

This Statement reflects a change in Net Position \$(256,349). This is a 135% decrease from the prior year. This decrease in the current year is attributable to the Actuarial Valuation performed in the System's participation in the Illinois Municipal Retirement Fund. Due to poor market performance by the Fund, the System recognized current year pension expense of \$687,751.

Revenues by Source

Government Activities

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



Business Type Activities

Based on the audited financial statements, IHLS's business-type activity is the LLSAP, SHARE. As reported on the *Statement of Revenues, Expenses, and Changes in Fund Net Position* (page 17), *Charges for Services* continued to represent most of the *Operating Revenues* (approximately 85%).

Financial Analysis of the Government's Funds

As noted earlier, IHLS uses fund accounting to demonstrate and ensure compliance with finance-related legal and grant requirements. Indicated on page 12, as of June 30, 2019, *IHLS's Governmental Funds* reported a combined ending fund balance of \$6,494,918.

IHLS developed a budget based on the priority areas identified by the ISL and the *FY2019 Goals* contained in the *IHLS Plan of Service*. The budget must be approved by the IHLS's Board of Director and the ISL. IHLS's staff uses the budget to guide the operations throughout the fiscal year. FY2019 budget represents normal funding levels.

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

General Fund

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

	Original Budget	Final Budget	Actual
Revenues:			
Area and Per Capita Grants	\$ 3,400,700	\$ 3,400,700	\$ 3,400,700
Fees for Services and Material	245,417	245,417	250,780
Reimbursements	15,471	15,471	15,471
Investment income	23,029	23,029	60,458
Miscellaneous	6,840	6,840	43,907
Total Revenues	<u>\$ 3,691,457</u>	<u>\$ 3,691,457</u>	<u>\$ 3,771,316</u>
Expenditures:			
Personnel	\$ 2,290,532	\$ 2,290,532	\$ 2,134,616
Other Operating Expenditures	827,900	827,900	746,172
Capital Outlays			8,801
Total Expenditures	<u>\$ 3,118,432</u>	<u>\$ 3,118,432</u>	<u>\$ 2,889,589</u>
Excess of Revenue Over (Under)			
Expenditures	<u>573,025</u>	<u>573,025</u>	<u>881,727</u>
Other Financing Sources (Uses):			
Transfers In (Out)	\$ (300,000)	\$ (300,000)	\$ (843,522)
Gain on Disposal of Fixed Assets			17,925
Net Change in Fund Balance	<u>\$ 273,025</u>	<u>\$ 273,025</u>	<u>\$ 56,130</u>

Two staff additions positively impacted IHLS interaction with members in FY2019. A full-time Marketing Coordinator was added mid-year enhancing interaction with stakeholders. Evidence of improved communication was visible in the broad member response to the organization's Design Thinking learning opportunity. This first ever project delivered necessary skills to member attendees on a partial fee recovery basis.

The addition of a Membership Coordinator at the end of FY2018 allowed IHLS to achieve a long-held goal in FY2019 of increased member outreach. Specifically, this resulted in two times the number of annual site visits, increased access for member concerns, and outreach to new member library directors. Membership staff moved forward in FY2019 with a focus on training public library boards to foster consistent, effective and legally compliant library governance through the development of a new training model.

Cataloging Maintenance Center (CMC)

In FY2019, the CMC completed original and copy cataloging for libraries throughout Illinois on materials related to genealogy, local history, and special collections. In FY2019, CMC staff made a concerted marketing effort to reach more RAILS libraries through conference attendance and presentation, and an increased online presence. Two programs – Online with the CMC and an online-only book cataloging class generated a great deal of interest in the service from both RAILS and IHLS member libraries. 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.

**ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

Capital Projects Fund

IHLS has aging buildings, equipment, and vehicles. Capital Assets for IHLS include purchases of items with a minimum per unit cost of \$5,000. Capital Projects in FY2019 were: painting of outside soffit, doors, and trim at the Champaign Facility, kitchen upgrade at the Champaign Facility, and the purchase of six new delivery vehicles. Funds were transferred from the General Fund totaling \$543,522.

Capital Assets

The table below shows the value (in thousands) of IHLS Capital Assets at June 30, 2019 and 2018:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 411.6	\$ 411.6			\$ 411.6	\$ 411.6
Assets in Progress		135.1				135.1
Buildings & Improvements	693.4	773.4			693.4	773.4
Equipment & Other	5.1	6.9			5.1	6.9
Furniture & Fixtures	0	0			0	0
Computers	57.6	105.6	\$ 250.8	\$ 283.6	308.4	389.2
Vehicles	418.8	318.1			418.8	318.1
Total Capital Assets	<u>\$ 1,586.5</u>	<u>\$ 1,750.7</u>	<u>\$ 250.8</u>	<u>\$ 283.6</u>	<u>\$ 1,837.3</u>	<u>\$ 2,034.3</u>

Discussions of Currently Known Facts, Decisions, or Conditions

IHLS's FY2019 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 334 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 FY2019 was \$3,400,700.32. At the end of fiscal year, IHLS was still owed \$1,460,666.66.

A prudent business practices framework will continue to guide policies and financial decisions, providing a more sustainable model. As IHLS moves into FY2020, 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, 2019

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 5,084,459	\$ 1,456,934	\$ 6,541,393
Accounts Receivable	1,481,999	15,846	1,497,845
Due from Other Funds	75	(75)	
Prepaid Expenses	26,387	177,059	203,446
Total Current Assets	\$ 6,592,920	\$ 1,649,764	\$ 8,242,684
Noncurrent Assets:			
Capital Assets:			
Not Being Depreciated	\$ 411,667		\$ 411,667
Being Depreciated -			
Net of Accumulated Depreciation	1,174,892	\$ 250,810	1,425,702
Total Noncurrent Assets	\$ 1,586,559	\$ 250,810	\$ 1,837,369
Total Assets	\$ 8,179,479	\$ 1,900,574	\$ 10,080,053
Deferred Outflows of Resources:			
Deferred Outflows from Pension Contributions	\$ 3,168,670	\$ 1,314,597	\$ 4,483,267
Total Deferred Outflows of Resources	\$ 3,168,670	\$ 1,314,597	\$ 4,483,267
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 11,348,149	\$ 3,215,171	\$ 14,563,320
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>			
Current Liabilities:			
Accounts Payable	\$ 39,275	\$ 18,794	\$ 58,069
Accrued Expenses	58,727	16,783	75,510
Total Current Liabilities	\$ 98,002	\$ 35,577	\$ 133,579
Long-Term Liabilities:			
Accrued Compensated Absences	\$ 158,685	\$ 87,496	\$ 246,181
Net Pension Liability	1,163,744	568,640	1,732,384
Total Long-Term Liabilities	\$ 1,322,429	\$ 656,136	\$ 1,978,565
Total Liabilities	\$ 1,420,431	\$ 691,713	\$ 2,112,144
Deferred Inflows of Resources:			
Deferred Inflows of Resources Related to Net Pension Asset	\$ 1,567,374	\$ 629,879	\$ 2,197,253
Total Deferred Inflows of Resources	\$ 1,567,374	\$ 629,879	\$ 2,197,253
Net Position:			
Net Investment in Capital Assets	\$ 1,586,559	\$ 250,810	\$ 1,837,369
Restricted			
Grant Expenditures	16,319		16,319
Unrestricted	6,757,466	1,642,769	8,400,235
Total Net Position	\$ 8,360,344	\$ 1,893,579	\$ 10,253,923
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 11,348,149	\$ 3,215,171	\$ 14,563,320

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Program Revenues				Net (Expense)/Revenue And Changes in Net Position - Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Library Services	\$ 4,147,790	\$ 250,780	\$ 3,891,060		\$ (5,950)		\$ (5,950)
Business-Type Activities:							
Computer Development	1,902,213	1,473,344	28,362			\$ (400,507)	(400,507)
	<u>\$ 6,050,003</u>	<u>\$ 1,724,124</u>	<u>\$ 3,919,422</u>	<u>\$ 0</u>	<u>\$ (5,950)</u>	<u>\$ (400,507)</u>	<u>\$ (406,457)</u>
General Revenues:							
Reimbursements					\$ 15,471		\$ 15,471
Investment Income					82,392	\$ 17,903	100,295
Miscellaneous					16,912	(1,789)	15,123
Gain on Disposal of Fixed Assets					19,219		19,219
Internal Activity - Transfers					(300,000)	300,000	
Total General Revenues					<u>\$ (166,006)</u>	<u>\$ 316,114</u>	<u>\$ 150,108</u>
Change in Net Position					\$ (171,956)	\$ (84,393)	\$ (256,349)
Net Position - Beginning of Year					8,532,300	1,977,972	10,510,272
Net Position - End of Year					<u>\$ 8,360,344</u>	<u>\$ 1,893,579</u>	<u>\$ 10,253,923</u>

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	Major Funds			Non-Major	Total
	General	CMC	Capital	Governmental	Governmental
	Fund	Grant	Projects	Funds	Funds
		Fund	Fund		
ASSETS:					
Cash and Cash Equivalents	\$ 3,644,632	\$ 19,296	\$ 1,412,743	\$ 7,788	\$ 5,084,459
Due from Other Funds	150				150
Accounts Receivable	1,481,999				1,481,999
Prepaid Expenses	22,972	2,284		1,131	26,387
Total Assets	<u>\$ 5,149,753</u>	<u>\$ 21,580</u>	<u>\$ 1,412,743</u>	<u>\$ 8,919</u>	<u>\$ 6,592,995</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts Payable	\$ 29,805	\$ 2,603	\$ 6,000	\$ 867	\$ 39,275
Due to Other Funds		61		14	75
Accrued Expenses	51,507	5,076		2,144	58,727
Total Liabilities	<u>\$ 81,312</u>	<u>\$ 7,740</u>	<u>\$ 6,000</u>	<u>\$ 3,025</u>	<u>\$ 98,077</u>
Fund Balances:					
Non-Spendable	\$ 22,972	\$ 2,284		\$ 1,131	\$ 26,387
Restricted		11,556		4,763	16,319
Assigned			\$ 1,406,743		1,406,743
Unassigned	5,045,469				5,045,469
Total Fund Balances	<u>\$ 5,068,441</u>	<u>\$ 13,840</u>	<u>\$ 1,406,743</u>	<u>\$ 5,894</u>	<u>\$ 6,494,918</u>
Total Liabilities and Fund Balances	<u>\$ 5,149,753</u>	<u>\$ 21,580</u>	<u>\$ 1,412,743</u>	<u>\$ 8,919</u>	<u>\$ 6,592,995</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, 2019

Total Fund Balance, Governmental Funds	\$ 6,494,918
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Total net position reported for government activities in the statement of net position is different because:

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

Those assets consist of

Land		\$ 411,667	
Buildings and Improvements, net of			
\$1,576,249 accumulated depreciation		693,447	
Equipment and Other, net of			
\$1,998,624 accumulated depreciation		5,097	
Furniture and Fixtures, net of \$391,590			
accumulated depreciation		0	
Computers, net of \$1,011,665			
accumulated depreciation		57,556	
Automobiles, net of \$571,012			
accumulated depreciation		<u>418,792</u>	
Total			1,586,559

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

437,552

Balance of Compensated Absences at June 30, 2019

(158,685)

Total Net Position of Governmental Activities

\$ 8,360,344

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, 2019

	Major Fund			Non-Major	Total
	General	CMC	Capital	Governmental	Governmental
	Fund	Grant	Projects	Funds	Funds
		Fund	Fund		
REVENUES:					
State Grants:					
Area and Per Capita - State Allotment	\$ 2,740,978				\$ 2,740,978
Area and Per Capita - Federal Pass Through	659,722				659,722
Illinois State Library		\$ 311,978		\$ 178,382	490,360
Fees for Services and Material	250,780				250,780
Reimbursements	15,471				15,471
Investment Income	60,458		\$ 21,934		82,392
Other Revenue	43,907		14,795		58,702
Total Revenues	<u>\$ 3,771,316</u>	<u>\$ 311,978</u>	<u>\$ 36,729</u>	<u>\$ 178,382</u>	<u>\$ 4,298,405</u>
EXPENDITURES:					
Current:					
General Library Services:					
Personnel Service	\$ 2,134,616	\$ 240,633		\$ 128,278	\$ 2,503,527
Contractual Services	178,764	60,384		32,143	271,291
Supplies and Materials	566,967	10,778		10,737	588,482
Member Library Reimbursement Expense	441				441
Capital Outlay	8,801		\$ 175,232		184,033
Total Expenditures	<u>\$ 2,889,589</u>	<u>\$ 311,795</u>	<u>\$ 175,232</u>	<u>\$ 171,158</u>	<u>\$ 3,547,774</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 881,727</u>	<u>\$ 183</u>	<u>\$ (138,503)</u>	<u>\$ 7,224</u>	<u>\$ 750,631</u>
OTHER FINANCING SOURCES (USES):					
Transfers In (Out)	\$ (843,522)		\$ 543,522		\$ (300,000)
Gain from Disposal of Capital Assets	17,925		12,775		30,700
Total Other Financing Sources (Uses)	<u>\$ (825,597)</u>	<u>\$ 0</u>	<u>\$ 556,297</u>	<u>\$ 0</u>	<u>\$ (269,300)</u>
NET CHANGE IN FUND BALANCE	56,130	183	417,794	7,224	481,331
FUND BALANCE - BEGINNING OF YEAR	<u>5,012,311</u>	<u>13,657</u>	<u>988,949</u>	<u>(1,330)</u>	<u>6,013,587</u>
FUND BALANCE - END OF YEAR	<u>\$ 5,068,441</u>	<u>\$ 13,840</u>	<u>\$ 1,406,743</u>	<u>\$ 5,894</u>	<u>\$ 6,494,918</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, 2019

Net Change in Fund Balances - Total Governmental Funds	\$ 481,331
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures while Governmental Activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation expense exceeds capital outlay in the current period, including gains or losses on disposition of assets.	(164,240)
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	(7,621)
Changes in net pension asset/liability, deferred outflows and deferred inflows related to pension assets/liabilities are reported only in the Statement of Activities	(481,426)
Change in Net Position of Governmental Activities	<u>\$ (171,956)</u>

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2019

	<u>Computer Development Fund</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	
Current Assets:	
Cash and Cash Equivalents	\$ 1,456,934
Accounts Receivable	15,846
Prepaid Expenses	177,059
Total Current Assets	<u>\$ 1,649,839</u>
Noncurrent Assets:	
Capital Assets:	
Depreciable Capital Assets	\$ 2,965,991
Accumulated Depreciation	(2,715,181)
Total Capital Assets	<u>250,810</u>
Total Assets	<u>\$ 1,900,649</u>
Deferred Outflows of Resources:	
Deferred Outflow from Pension Contribution	\$ 1,314,597
Total Deferred Outflows of Resources	<u>\$ 1,314,597</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 3,215,246</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION:	
Current Liabilities:	
Accounts Payable	\$ 18,794
Due to Other Funds	75
Accrued Expenses	16,783
Total Current Liabilities	<u>\$ 35,652</u>
Long-Term Liabilities:	
Compensated Absences Payable	\$ 87,496
Net Pension Liability	568,640
Total Long-Term Liabilities	<u>\$ 656,136</u>
Total Liabilities	<u>\$ 691,788</u>
Deferred Inflows of Resources:	
Deferred Inflows of Resources Related to Net Pension Asset	\$ 629,879
Total Deferred Inflows of Resources	<u>\$ 629,879</u>
Net Position:	
Net Investment in Capital Assets	\$ 250,810
Unrestricted	1,642,769
Total Net Position	<u><u>\$ 1,893,579</u></u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 3,215,246</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, 2019

	Computer Development Fund
OPERATING REVENUES:	
Charges for Services	\$ 1,271,027
Grants	28,362
Member Library Reimbursement Revenue	202,317
Miscellaneous Income	(1,789)
Total Operating Revenues	<u>\$ 1,499,917</u>
OPERATING EXPENSES:	
Personnel Services	\$ 989,137
Contractual Services	247,839
Supplies and Materials	189,869
Member Library Reimbursement Expense	203,076
Pension Expense	206,325
Depreciation	65,967
Total Operating Expenses	<u>\$ 1,902,213</u>
NET OPERATING INCOME (LOSS)	<u>\$ (402,296)</u>
OTHER INCOME (EXPENSE)	
Investment Income	\$ 17,903
Total Other Income (Expense)	<u>\$ 17,903</u>
NET INCOME (LOSS)	\$ (384,393)
TRANSFERS IN	<u>300,000</u>
CHANGE IN NET POSITION	\$ (84,393)
NET POSITION - BEGINNING OF YEAR	<u>1,977,972</u>
NET POSITION - END OF YEAR	<u><u>\$ 1,893,579</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, 2019

	Computer Development Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 1,471,103
Receipts from Interfund Services Provided	28,362
Payments to Vendors	(643,609)
Payments to Employees	(1,004,204)
Net Cash Provided by (Used in) Operating Activities	<u>\$ (148,348)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Operating Transfers From (To) Other Funds	\$ 300,000
Increase (Decrease) in Due to Other Funds	25
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>\$ 300,025</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Payments for Capital Acquisitions	\$ (33,161)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>\$ (33,161)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment Income	<u>\$ 17,903</u>
NET INCREASE (DECREASE) IN CASH	136,419
CASH, BEGINNING OF YEAR	<u>1,320,515</u>
CASH, END OF YEAR	<u><u>\$ 1,456,934</u></u>
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	
Net Operating Income (Loss)	\$ (402,296)
Adjustment to Reconcile Net Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	65,967
(Increase) Decrease in Assets:	
Accounts Receivable	9,930
Prepaid Expenses	(10,383)
Deferred Outflows of Resources	(1,006,850)
Increase (Decrease) in Liabilities:	
Accounts Payable	(2,685)
Deferred Inflows of Resources	(219,725)
Net Pension Asset/Liability	1,432,901
Accrued Expenses	(2,780)
Compensated Absences Payable	(12,427)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	<u><u>\$ (148,348)</u></u>

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF AGENCY NET POSITION
AGENCY FUNDS
JUNE 30, 2019

	<u>Roadside Training - Agency Fund</u>	<u>SWAYS - Agency Fund</u>	<u>Lewis and Clark Library System 457 Plan - Agency Fund</u>	<u>OCLC - Agency Fund</u>	<u>Total</u>
ASSETS					
Current Assets:					
Cash	\$ 800	\$ 1,974	\$ 242,407	\$ 2,748,042	\$ 2,993,223
LIABILITIES					
Current Liabilities:					
Due To Other Agencies	\$ 800	\$ 1,974	\$ 242,407	\$ 2,748,042	\$ 2,993,223
NET POSITION	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</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, 2019

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, 2019

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, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Major Special Revenue Fund

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

Non-Major Special Revenue Funds

The System's non-major special revenue funds include: OCLC Grant Fund and Marc of Quality Grant Fund.

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

Proprietary Fund

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

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

Fiduciary Funds

Fiduciary funds are used to report assets held by the System in a trustee or agency capacity for others and therefore cannot be used to support the System's own programs. The System has four fiduciary funds, the OCLC–Agency Fund, which is used to account for funds held in trust for the ILLINET OCLC, Lewis and Clark Library System 457 Plan – Agency Fund, which is used to account for funds held in trust for participants that participated in the Lewis and Clark Library System when the organization was still in service, SWAYS – Agency Fund, which is used to account for fund from the Southwest Advocates for Youth Services, and Roadside Training – Agency Fund which is used to account for funds that are derived from training programs put on by member libraries.

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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, 2019 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, 2019, 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, 2019

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, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Program Revenues

Program Revenues on the statement of activities include the following:

Governmental Activities

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

Business-type Activities

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

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

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

M. Reimbursement Revenue

In the fund financial statements, the System has recorded \$15,471 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, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Compensated Absences

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

O. Estimates

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

NOTE 2. FUND BALANCE REPORTING

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

A. Nonspendable Fund Balance

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example inventories or prepaid amounts. The General Fund, CMC Grant Fund, and OCLC Grant Fund had nonspendable funds of \$22,972, \$2,284, and \$1,131, respectively, at fiscal year end June 30, 2019.

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 OLCL Grant Fund. At June 30, 2019, revenue received exceeded expenditures disbursed from state and local grants, resulting in restricted fund balances of \$11,556 and \$4,763, respectively.

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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, 2019.

D. Assigned Fund Balance

The assigned fund balance classification refers to amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted or committed. Intent may be expressed by (a) the System's Board itself or (b) the finance committee, if applicable, to assign amounts to be used for specific purposes. The Capital Projects Fund showed an assigned balance of \$1,406,743, as of June 30, 2019.

E. Unassigned Fund Balance

The unassigned fund balance classification is the residual classification for amounts in the General Operating Funds for amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund showed an unassigned fund balance of \$5,045,469 as of June 30, 2019.

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, 2019

NOTE 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2019, are classified in the accompanying financial statements as follows:

Cash and Cash Equivalents	<u>\$ 6,541,393</u>
Total	<u>\$ 6,541,393</u>
Fiduciary Funds	
Cash and Cash Equivalents – Fiduciary Funds	<u>\$ 2,993,223</u>
Total	<u>\$ 2,993,223</u>

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

A. Interest Rate Risk

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

B. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The credit risk of investments is addressed by the System's investment policy by limiting investments to instruments insured by the FDIC, issued by the U.S. Treasury, or the Illinois Funds portfolios overseen by the Treasurer of the State of Illinois. The System has \$4,740,172 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, 2019.

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, 2019, was \$4,740,172. 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, 2019

NOTE 4. RECEIVABLES

At June 30, 2019, receivables were as follows for the governmental funds and governmental activities:

	<u>Receivables</u>
Area & Per Capita	\$ 1,460,667
Other	21,332
Total	<u>\$ 1,481,999</u>

At June 30, 2019, receivables were as follows for the business-type activities and enterprise fund:

	<u>Receivables</u>
Other	\$ 15,846
Total	<u>\$ 15,846</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, 2019:

	<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	0
Subtotal	<u>\$ 546,702</u>	<u>\$ 0</u>	<u>\$ 135,035</u>	<u>\$ 411,667</u>
Other Capital Assets:				
Automobiles	\$ 964,085	\$ 295,535	\$ 269,816	\$ 989,804
Buildings and Improvements	2,253,700	15,996		2,269,696
Equipment and Other	2,003,721			2,003,721
Furniture and Fixtures	391,590			391,590
Computers	1,069,221			1,069,221
Subtotal	<u>\$ 6,682,317</u>	<u>\$ 311,531</u>	<u>\$ 269,816</u>	<u>\$ 6,724,032</u>
Accumulated Depreciation:				
Automobiles	\$ 645,945	\$ 141,609	\$ 216,542	\$ 571,012
Buildings and Improvements	1,480,281	95,968		1,576,249
Equipment and Other	1,996,771	1,853		1,998,624
Furniture and Fixtures	391,590			391,590
Computers	963,633	48,032		1,011,665
Subtotal	<u>\$ 5,478,220</u>	<u>\$ 287,462</u>	<u>\$ 216,542</u>	<u>\$ 5,549,140</u>
Net Other Capital Assets	<u>\$ 1,204,097</u>	<u>\$ 24,069</u>	<u>\$ 53,274</u>	<u>\$ 1,174,892</u>
Net Capital Assets	<u>\$ 1,750,799</u>	<u>\$ 24,069</u>	<u>\$ 188,309</u>	<u>\$ 1,586,559</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 5. CAPITAL ASSETS (CONTINUED)

Current year depreciation expense was charged to the following function:

General Library Services \$287,462

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, 2019:

	<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>1,309,179</u>	<u>\$ 33,162</u>		<u>1,342,341</u>
Subtotal	<u>\$ 2,932,829</u>	<u>\$ 33,162</u>	<u>\$ 0</u>	<u>\$ 2,965,991</u>
Accumulated Depreciation:				
Equipment and Other	\$ 1,623,650			\$ 1,623,650
Computers	<u>1,025,564</u>	<u>\$ 65,967</u>		<u>1,091,531</u>
Subtotal	<u>\$ 2,649,214</u>	<u>\$ 65,967</u>	<u>\$ 0</u>	<u>\$ 2,715,181</u>
Net Capital Assets	<u>\$ 283,615</u>	<u>\$ (32,805)</u>	<u>\$ 0</u>	<u>\$ 250,810</u>

Current year depreciation expense was charged to the following function:

Computer Development \$65,967

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, 2019:

	<u>June 30, 2018</u>	<u>Current Year Change</u>	<u>June 30, 2019</u>	<u>Due Within One Year</u>
Accrued				
Compensated Absences	<u>\$ 151,064</u>	<u>\$ 7,621</u>	<u>\$ 158,685</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, 2019:

	<u>June 30, 2018</u>	<u>Current Year Change</u>	<u>June 30, 2019</u>	<u>Due Within One Year</u>
Accrued				
Compensated Absences	<u>\$ 99,923</u>	<u>\$ (12,427)</u>	<u>\$ 87,496</u>	<u>\$ 0</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables at June 30, 2019, are summarized below:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental Funds:		
General Fund	\$ 150	
OCLC Fund		\$ 14
CMC Grant Fund		61
Proprietary Fund:		
Computer Development Fund		75
Total	<u>\$ 150</u>	<u>\$ 150</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, 2019, are summarized below:

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General Fund		\$ 843,522
Capital Projects Fund	\$ 543,522	
Proprietary Fund:		
Computer Development Fund	300,000	
Total	<u>\$ 843,522</u>	<u>\$ 843,522</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, 2019, 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, 2019

NOTE 9. LEASES (CONTINUED)

Fiscal Year Ending June 30,	
2020	\$ 7,601
2021	3,372
2022	3,372
2023	3,372
2024	2,079
Total	<u>\$ 19,796</u>

Total rental expense for operating leases for the year ended June 30, 2019, was \$90,799.

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, 2019, 90 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, 2019, total charges for services revenue earned from these organizations was \$142,942.

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, 2019

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, 2018, the following employees were covered by the Plan:

Active Employees	43
Inactive employees or beneficiaries currently receiving benefits	217
Inactive employees entitled to but not yet receiving benefits	<u>78</u>
Total	<u>338</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 2018 was 8.53 percent. For the fiscal year ended June 30, 2019, the System contributed \$120,070 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, 2018, 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, 2018, 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, 2019

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%
Investment Rate of Return	7.25%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2014-2016.
Mortality	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information:

Notes There were no benefit changes during the year.

A detailed description of the actuarial assumptions and methods can be found in the December 31, 2018 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, 2019

NOTE 13. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Class	Target Allocation	Return 12/31/2018	Projected Returns/Risk	
			One Year Arithmetic	Ten Year Geometric
Equities	37.00%	-6.08%	8.50%	7.15%
International Equities	18.00%	-14.16%	9.20%	7.25%
Fixed Income	28.00%	-0.28%	3.75%	3.75%
Real Estate	9.00%	8.36%	7.30%	6.25%
Alternatives	7.00%			
Private Equity		N/A	12.40%	8.50%
Hedge Funds		N/A	5.75%	5.50%
Commodities		N/A	4.75%	3.20%
Cash Equivalents	1.00%	N/A	2.50%	2.50%
Total	100.00%			

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

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

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.25%, the municipal bond rate is 3.71%, and the resulting single discount rate is 7.25%.

Changes in System's Net Pension Liability. Changes in the System's net pension liability for the year ended December 31, 2018, were as follows:

	Total Pension Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance, December 31, 2017	\$ 31,959,512	\$ 35,003,464	\$ (3,043,952)
Changes for the year:			
Service Cost	179,185		179,185
Interest	2,318,785		2,318,785
Difference between expected and actual experience	337,494		337,494
Changes in assumptions	736,512		736,512
Contributions-employees		93,727	(93,727)
Contributions- employer		177,666	(177,666)
Net investment income		(2,365,486)	2,365,486
Benefit payments including refunds of employee Contributions	(2,263,936)	(2,263,936)	0
Other (Net Transfer)		889,733	(889,733)
Net Changes	1,308,040	(3,468,296)	4,776,336
Balance, December 31, 2018	\$ 33,267,552	\$ 31,535,168	\$ 1,732,384

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 13. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

	<u>Discount Rate</u>	<u>Net Pension Liability (Asset)</u>
1% decrease	6.25%	\$ 5,015,296
Current discount rate	7.25%	1,732,384
1% increase	8.25%	(1,037,095)

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, 2019, the System recognized pension expense of \$810,822. At June 30, 2019, 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	\$ 4,452,159	\$ 2,197,253
Contributions after Measurement Date	31,107	
Total	<u>\$ 4,483,266</u>	<u>\$ 2,197,253</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>
2019	\$ 751,317
2020	287,359
2021	257,459
2022	989,878
2023	0
Thereafter	0
Total	<u>\$ 2,286,013</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 14. EXCESS OF EXPENDITURES OVER BUDGET

There were no funds that had excess expenditures over budget for the fiscal year ended June 30, 2019.

NOTE 15. OTHER POST EMPLOYMENT BENEFITS

The System currently offers two post-employment benefits to retirees. Those benefits are 1) continuation of participation in the System's health insurance plan as required by law for a period of 18 months (COBRA coverage) and 2) retiree continuation of health insurance coverage on the System's plan beyond the COBRA period. In relation to both of these benefits, the retiree pays 100% of their own premium cost. As of June 30, 2019, no retirees were covered under COBRA coverage and no retirees were currently participating in the health insurance coverage. There were two employees participating in the dental and vision plan, which the retirees were required to pay 100% of their own premium cost. Due to the limited number of participants in the plan, and the insignificance of the cost incurred by the System, no Other Post Employment Benefit's liability has been recorded as of June 30, 2019.

NOTE 16. PENSION PLAN

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

NOTE 17. SUBSEQUENT EVENTS

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	(Actual - Final Budget)
	Original	Final		
REVENUES:				
State Grants:				
Area and Per Capita - State Allotment	\$ 2,740,978	\$ 2,740,978	\$ 2,740,978	
Area and Per Capita - Federal Pass Through	659,722	659,722	659,722	
Fees for Services and Material	245,417	245,417	250,780	\$ 5,363
Reimbursements	15,471	15,471	15,471	
Investment Income	23,029	23,029	60,458	37,429
Other Revenue	6,840	6,840	43,907	37,067
Total Revenues	<u>\$ 3,691,457</u>	<u>\$ 3,691,457</u>	<u>\$ 3,771,316</u>	<u>\$ 79,859</u>
EXPENDITURES:				
Current:				
General Library Services:				
Personnel Service	\$ 2,290,532	\$ 2,290,532	\$ 2,134,616	\$ (155,916)
Contractual Services	212,589	212,589	178,764	(33,825)
Supplies and Materials	615,311	615,311	566,967	(48,344)
Member Library Reimbursement Expense			441	441
Capital Outlay			8,801	8,801
Total Expenditures	<u>\$ 3,118,432</u>	<u>\$ 3,118,432</u>	<u>\$ 2,889,589</u>	<u>\$ (228,843)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 573,025</u>	<u>\$ 573,025</u>	<u>\$ 881,727</u>	<u>\$ 308,702</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	\$ (300,000)	\$ (300,000)	\$ (843,522)	\$ (543,522)
Gain on Disposal of Fixed Assets			17,925	17,925
Total Other Financing Sources (Uses)	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>	<u>\$ (825,597)</u>	<u>\$ (525,597)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 273,025</u>	<u>\$ 273,025</u>	<u>\$ 56,130</u>	<u>\$ (216,895)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>5,012,311</u>	
FUND BALANCE - END OF YEAR			<u>\$ 5,068,441</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, 2019

	<u>Budget</u>		<u>Actual</u>	<u>Variance (Actual - Final Budget)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
State Grants:				
Illinois State Library	\$ 382,116	\$ 382,116	\$ 311,978	\$ (70,138)
Total Revenues	<u>\$ 382,116</u>	<u>\$ 382,116</u>	<u>\$ 311,978</u>	<u>\$ (70,138)</u>
EXPENDITURES:				
Current:				
General Library Services:				
Personnel Service	\$ 325,191	\$ 325,191	\$ 240,633	\$ (84,558)
Contractual Services	47,540	47,540	60,384	12,844
Supplies and Materials	9,385	9,385	10,778	1,393
Total Expenditures	<u>\$ 382,116</u>	<u>\$ 382,116</u>	<u>\$ 311,795</u>	<u>\$ (70,321)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 0</u>	<u>\$ 0</u>	\$ 183	<u>\$ 183</u>
FUND BALANCE BEGINNING OF YEAR			<u>13,657</u>	
FUND BALANCE - END OF YEAR			<u>\$ 13,840</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, 2019

	Budget		Actual	Variance (Actual - Final Budget)
	Original	Final		
REVENUES:				
Investment Income	\$ 4,527	\$ 4,527	\$ 21,934	\$ 17,407
Other Revenues			14,795	14,795
Total Revenues	<u>\$ 4,527</u>	<u>\$ 4,527</u>	<u>\$ 36,729</u>	<u>\$ 32,202</u>
EXPENDITURES:				
Capital Outlay	\$ 224,000	\$ 224,000	\$ 175,232	\$ (48,768)
Total Expenditures	<u>\$ 224,000</u>	<u>\$ 224,000</u>	<u>\$ 175,232</u>	<u>\$ (48,768)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (138,503)</u>	<u>\$ 80,970</u>
OTHER FINANCING SOURCES (USES)				
Transfers In			\$ 543,522	\$ 543,522
Gain on Disposal of Fixed Assets			12,775	12,775
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 556,297</u>	<u>\$ 556,297</u>
NET CHANGE IN FUND BALANCE	<u>\$ (219,473)</u>	<u>\$ (219,473)</u>	<u>\$ 417,794</u>	<u>\$ 637,267</u>
FUND BALANCE - BEGINNING OF YEAR			<u>988,949</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,406,743</u>	

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

Budgets and Budgetary Basis of Accounting:

A. Budgetary Process

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

B. Legal Level of Budgetary Control

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

C. Amendments to the Budget

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

D. Budgetary Basis of Accounting

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

E. Encumbrances

Encumbrance accounting is not used by the System.

F. Expenditures Over Budget

There were no funds had expenditures over budget, for the fiscal year ended June 30, 2019.

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

	LAST 10 CALENDAR YEARS (schedule to be built prospectively from 2014)									
Calendar year ending December 31,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total Pension Liability										
Service Cost	\$ 179,185	\$ 186,886	\$ 240,821	\$ 208,201	\$ 235,054					
Interest on the Total Pension Liability	2,318,785	2,331,743	2,314,570	2,234,972	2,109,609					
Benefit Changes	0	0	0	0	0					
Difference between Expected and Actual Experience	337,494	504,869	(214,774)	616,002	139,024					
Assumption Changes	736,512	(997,797)	0	0	1,138,977					
Benefit Payments and Refunds	(2,263,936)	(2,125,298)	(2,044,060)	(1,984,300)	(1,891,157)					
Net Change in Total Pension Liability	1,308,040	(99,597)	296,557	1,074,875	1,731,507					
Total Pension Liability - Beginning	31,959,512	32,059,109	31,762,552	30,687,677	28,956,169					
Total Pension Liability - Ending (a)	\$ 33,267,552	\$ 31,959,512	\$ 32,059,109	\$ 31,762,552	\$ 30,687,676					
Plan Fiduciary Net Position										
Employer Contributions	\$ 177,666	\$ 202,868	\$ 273,509	\$ 325,404	442,904					
Employee Contributions	93,727	84,381	94,367	132,256	91,501					
Pension Plan Net Investment Income	(2,365,486)	5,935,957	2,104,214	152,703	1,819,805					
Benefit Payments and Refunds	(2,263,936)	(2,125,298)	(2,044,060)	(1,984,300)	(1,891,157)					
Other	889,733	(663,474)	506,944	704,141	329,556					
Net Change in Plan Fiduciary Net Position	(3,468,296)	3,434,434	934,974	(669,796)	792,609					
Plan Fiduciary Net Position - Beginning	35,003,464	31,569,030	30,634,056	31,303,852	30,511,243					
Plan Fiduciary Net Position - Ending (b)	\$ 31,535,168	\$ 35,003,464	\$ 31,569,030	\$ 30,634,056	\$ 31,303,852					
Net Pension Liability/(Asset) - Ending (a)-(b)	1,732,384	(3,043,952)	490,079	1,128,496	(616,176)					
Plan Fiduciary Net Position as a Percentage										
of Total Pension Liability	94.79%	109.52%	98.47%	96.45%	102.01%					
Covered Valuation Payroll	\$ 2,082,826	\$ 1,800,090	\$ 2,018,517	\$ 2,245,715	\$ 1,892,045					
Net Pension Liability as a Percentage										
of Covered Valuation Payroll	83.17%	(169.10%)	24.28%	50.25%	(32.57)%					

Notes to Schedule:

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS

LAST 10 CALENDAR YEARS

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

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 2018 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 2018 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): 25-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 20 years for most employers (three employers were financed over 29 years).
Asset Valuation Method	5-Year smoothed market; 20% corridor
Wage Growth	3.50%
Price Inflation	2.75%
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, 2016 actuarial valuation

ILLINOIS HEARTLAND LIBRARY SYSTEM
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2019

	OCLC Grant	Marc of Quality Grant	Total Non-Major Special Revenue Fund
ASSETS			
Cash and Cash Equivalents	\$ 7,788		\$ 7,788
Prepaid Expenses	1,131		1,131
Total Assets	<u>\$ 8,919</u>	<u>\$ 0</u>	<u>\$ 8,919</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 867		\$ 867
Due to Other Funds	14		14
Accrued Expenses	2,144		2,144
Total Liabilities	<u>\$ 3,025</u>	<u>\$ 0</u>	<u>\$ 3,025</u>
Fund Balances:			
Nonspendable	\$ 1,131		\$ 1,131
Restricted	4,763		4,763
Total Fund Balances	<u>\$ 5,894</u>	<u>\$ 0</u>	<u>\$ 5,894</u>
Total Liabilities and Fund Balances	<u>\$ 8,919</u>	<u>\$ 0</u>	<u>\$ 8,919</u>

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, 2019

	OCLC Grant	Marc of Quality Grant	Total Non-Major Special Revenue Funds
REVENUES:			
State Grants:			
Illinois State Library	\$ 170,182	\$ 8,200	\$ 178,382
Total Revenues	<u>\$ 170,182</u>	<u>\$ 8,200</u>	<u>\$ 178,382</u>
EXPENDITURES:			
General Library Services:			
Personnel Service	\$ 128,278		\$ 128,278
Contractual Services	23,943	\$ 8,200	32,143
Supplies and Materials	10,737		10,737
Total Expenditures	<u>\$ 162,958</u>	<u>\$ 8,200</u>	<u>\$ 171,158</u>
NET CHANGE IN FUND BALANCE	\$ 7,224	\$ 0	\$ 7,224
FUND BALANCE, BEGINNING OF YEAR	<u>(1,330)</u>	<u>0</u>	<u>(1,330)</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u><u>\$ 5,894</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 5,894</u></u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budget		
	Original	Final	Actual
REVENUES:			
State Grants:			
Area and Per Capita - State Allotment	\$ 2,740,978	\$ 2,740,978	\$ 2,740,978
Area and Per Capita - Federal Pass Through	659,722	659,722	659,722
Fees for Services and Material	245,417	245,417	250,780
Reimbursements	15,471	15,471	15,471
Investment Income	23,029	23,029	60,458
Other Revenue	6,840	6,840	43,907
Total Revenues	<u>\$ 3,691,457</u>	<u>\$ 3,691,457</u>	<u>\$ 3,771,316</u>
EXPENDITURES:			
General Library Services:			
Personnel			
Salaries and Wages	\$ 1,766,211	\$ 1,766,211	\$ 1,714,491
Payroll Taxes and Fringe Benefits	502,671	502,671	401,906
Recruiting	5,650	5,650	8,086
Training and Professional Development	16,000	16,000	10,133
Contractual Services			
Contractual Agreements	47,545	47,545	1,190
Travel, Meetings, and Continuing Education for Staff and Board	26,666	26,666	21,828
Professional Services	40,900	40,900	19,915
Liability Insurance	19,080	19,080	18,703
Telephone and Telecommunications	16,372	16,372	18,164
Conferences and Continuing Education Meetings	28,038	28,038	32,571
Consulting			18,587
Professional Association Membership Dues	3,988	3,988	3,639
Public Relations	30,000	30,000	44,167
Supplies and Materials			
Computer Supplies	29,735	29,735	23,465
General Office Supplies and Equipment	6,450	6,450	9,860
Postage	1,200	1,200	960
Delivery Supplies	26,620	26,620	21,161
Buildings and Grounds	241,708	241,708	226,037
Vehicle Expenses	295,703	295,703	261,817
Miscellaneous	2,635	2,635	16,898
Equipment Rental, Repair, and Maintenance	11,260	11,260	6,769
Member Library Reimbursement Expense			441
Capital Outlay			8,801
Total Expenditures	<u>\$ 3,118,432</u>	<u>\$ 3,118,432</u>	<u>\$ 2,889,589</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 573,025</u>	<u>\$ 573,025</u>	<u>\$ 881,727</u>
OTHER FINANCING SOURCES (USES):			
Transfers Out	\$ (300,000)	\$ (300,000)	\$ (843,522)
Gain on Disposal of Fixed Assets			17,925
Total Other Financing Sources (Uses)	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>	<u>\$ (825,597)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 273,025</u>	<u>\$ 273,025</u>	\$ 56,130
FUND BALANCE - BEGINNING OF YEAR			5,012,311
FUND BALANCE - END OF YEAR			<u>\$ 5,068,441</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, 2019

	Budget		Actual
	Original	Final	
REVENUES:			
State Grants:			
Illinois State Library	\$ 382,116	\$ 382,116	\$ 311,978
Total Revenues	<u>\$ 382,116</u>	<u>\$ 382,116</u>	<u>\$ 311,978</u>
EXPENDITURES:			
General Library Services:			
Personnel	\$ 325,191	\$ 325,191	\$ 240,633
Contractual Services			
Contractual Agreements	38,160	38,160	28,362
Travel, Meetings, and Continuing Education			
for Staff and Board	5,961	5,961	4,745
Professional Services			19,904
Professional Association Membership Dues			650
Telephone and Telecommunications	2,619	2,619	2,486
Conferences and Continuing Education Meetings			3,191
Public Relations	800	800	1,046
Supplies and Materials			
Computer Supplies			7,373
Supplies, Postage and Printing	5,160	5,160	1,265
Vehicle Expenses	525	525	
Equipment Rental, Repair, and Maintenance	3,700	3,700	2,140
Total Expenditures	<u>\$ 382,116</u>	<u>\$ 382,116</u>	<u>\$ 311,795</u>
NET CHANGE IN FUND BALANCE	<u>\$ 0</u>	<u>\$ 0</u>	\$ 183
FUND BALANCE - BEGINNING OF YEAR			<u>13,657</u>
FUND BALANCE - END OF YEAR			<u>\$ 13,840</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
OCLC GRANT FUND - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual
	Original	Final	
REVENUES:			
State Grants:			
Illinois State Library	\$ 170,182	\$ 170,182	\$ 170,182
Total Revenues	<u>\$ 170,182</u>	<u>\$ 170,182</u>	<u>\$ 170,182</u>
EXPENDITURES:			
General Library Services:			
Personnel	\$ 132,560	\$ 132,560	\$ 128,278
Contractual Services			
Contractual Agreements	20,927	20,927	15,644
Professional Services	4,800	4,800	5,306
Telephone & Telecommunication	3,035	3,035	2,993
Supplies and Materials			
Computer Supplies			4,596
Equipment Rental, Repair, and Maintenance	3,960	3,960	3,793
Supplies, Postage and Printing	4,900	4,900	2,376
Miscellaneous			(28)
Total Expenditures	<u>\$ 170,182</u>	<u>\$ 170,182</u>	<u>\$ 162,958</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 0	\$ 0	\$ 7,224
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>
NET CHANGE IN FUND BALANCE	<u>\$ 0</u>	<u>\$ 0</u>	\$ 7,224
FUND BALANCE - BEGINNING OF YEAR			<u>(1,330)</u>
FUND BALANCE - END OF YEAR			<u>\$ 5,894</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, 2019

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2019

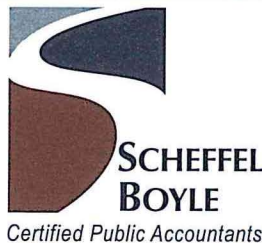
	Budget		Actual
	Original	Final	
REVENUES:			
Investment Income	\$ 4,527	\$ 4,527	\$ 21,934
Other Revenues			14,795
Total Revenues	<u>\$ 4,527</u>	<u>\$ 4,527</u>	<u>\$ 36,729</u>
EXPENDITURES:			
Capital Outlay	\$ 224,000	\$ 224,000	\$ 175,232
Total Expenditures	<u>\$ 224,000</u>	<u>\$ 224,000</u>	<u>\$ 175,232</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES			\$ (138,503)
OTHER FINANCING SOURCES (USES)			
Transfers In			\$ 543,522
Gain on Disposal of Fixed Assets			12,775
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 556,297</u>
NET CHANGE IN FUND BALANCE	<u>\$ (219,473)</u>	<u>\$ (219,473)</u>	\$ 417,794
FUND BALANCE - BEGINNING OF YEAR			<u>988,949</u>
FUND BALANCE - END OF YEAR			<u>\$ 1,406,743</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
REPORT OF FEDERAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2019

ILLINOIS HEARTLAND LIBRARY SYSTEM

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ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON

August 27, 2019

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, 2019, 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, 2019.

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 2019-1 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



ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON
August 27, 2019

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

To the Board of Directors of
Illinois Heartland Library System

Report on Compliance for Each Major Federal Program

We have audited Illinois Heartland Library System's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Illinois Heartland Library System's major federal programs for the year ended June 30, 2019. Illinois Heartland Library System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Illinois Heartland Library System complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Illinois Heartland Library System, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Illinois Heartland Library System's basic financial statements. We issued our report thereon dated August 27, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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


Alton, Illinois

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor Agency/Program Pass-Through Grantor Title/Grant Name	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
National Endowment for the Humanities			
Institute of Museum and Library Services Discretionary Awards			
Grants to States Program			
<i>Passed through the Illinois State Library</i>			
Operating Grant	45.310	N/A	\$ 659,722
Cataloging Maintenance Center	45.310	N/A	<u>122,978</u>
Total Expenditures of Federal Awards			<u><u>\$ 782,700</u></u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Illinois Heartland Library System under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Illinois Heartland Library System, it is not intended to and does not present the financial position, changes in net position, or cash flows of Illinois Heartland Library System.

Basis of Accounting

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

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

Noncash Assistance, Federal Insurance and Loans/Loan Guarantees

Illinois Heartland Library System did not receive any noncash assistance, federal guaranteed loans or federal insurance for any of its programs for the year ended June 30, 2019.

Subrecipient Monitoring

Illinois Heartland Library System did not pass through any of its federal funds to subrecipients during the year ended June 30, 2019.

Indirect Cost Rate

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019

A. SUMMARY OF AUDITOR'S RESULT

Financial Statements

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

Federal Awards

- 1) No significant deficiencies or material weaknesses in internal control over major federal award programs were disclosed during the audit of the major federal award program of Illinois Heartland Library System.
- 2) The auditor's report on compliance for the major federal award program for Illinois Heartland Library System expresses an unmodified opinion on all major federal programs.
- 3) The audit did not disclose any instances required to be reported in accordance with 2 CFR section 200.516(a) relative to the major federal programs.

Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program</u>
45.310	Grants to States Program

The threshold used for distinguishing between Type A and B programs was \$750,000

Auditee does not qualify as a low risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 2019-1 – Internal Control over Financial Statements

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

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

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

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

Finding 2019-1 – Internal Control over Financial Statements

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

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

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

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.

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



Illinois Heartland Library System

August 27, 2019

CORRECTIVE ACTION PLAN

Illinois State Library

The Illinois Heartland Library System respectfully submits the following corrective action plan for the year ended June 30, 2019.

Name and address of independent public accounting firm:

Scheffel Boyle
322 State Street
Alton, IL 62002

Audit Period: For the Year Ended June 30, 2019

The findings from the August 27, 2019, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS - FINANCIAL STATEMENT AUDIT

Significant Deficiency

2019-1

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

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

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

IMAGINING TOMORROW - DELIVERING POSSIBILITIES TODAY!

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

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

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

Sincerely yours,



Leslie Bednar, Executive Director



Rhonda Johnisee, Finance Director



The Ohio Casualty Insurance Company

BOND

No. 601101773

KNOW ALL MEN BY THESE PRESENTS:

That we Beverly J. Obert of
308 N. Missouri Street, Atwood, IL 61913,

(Insert Full Name [top line] and Address [bottom line] of Principal)

as Principal and The Ohio Casualty Insurance Company, a corporation organized and existing under the
 laws of the State of New Hampshire, (hereinafter called the Surety, are held and firmly bound unto

Illinois Heartland Library System6725 Goshen Road, Edwardsville, IL 62025

(Insert Full Name [top line] and Address [bottom line] of Oblige)

in the aggregate and non-cumulative penal sum of One Million Seven Hundred Fifty Thousand and no/cents
 *****(\$ 1,750,000.00) DOLLARS, for the payment of which, well and truly
 to be made, we bind ourselves, our heirs, executors, administrators, successors and assigns, jointly and severally, firmly by these
 presents.

WHEREAS, the said Principal has been elected or appointed to (or holds by operation of law) the office of
Treasurer

for a term beginning on 9/21/2018 and ending on June 30, 2019

Now, therefore, the condition of this Obligation is such that if the said Principal shall well, truly and faithfully perform all official
 duties required by law of such official during the term aforesaid, then this obligation shall be void; otherwise it shall remain in full
 force and effect, subject to the following conditions:

First: That the Surety may, if it shall so elect, cancel this bond by giving thirty (30) days notice in writing to
 _____ and
 this bond shall be deemed canceled at the expiration of said thirty (30) days, the Surety remaining liable, however, subject to all the
 terms, conditions and provisions of this bond, for any act or acts covered by this bond which may have been committed by the
 Principal up to the date of such cancelation; and the Surety shall, upon surrender of this bond and its release from all liability
 hereunder, refund the premium paid, less a pro rate part thereof for the time this bond shall have been in force.

Second: That the Surety shall not be liable hereunder for the loss of any public moneys or funds occurring through or resulting from
 the failure of, or default in payment by, any banks or depositories in which any public moneys or funds have been deposited, or may
 be deposited, or placed to the credit, or under the control of the Principal, whether or not such banks or depositories were or may be
 selected or designed by the Principal or by other persons; or by reason of the allowance to, or acceptance by the Principal of any
 interest on said public moneys or funds, any law, decision, ordinance or statute to the contrary notwithstanding.

Third: That the Surety shall not be liable for any loss or losses, resulting from the failure of the Principal to collect any taxes,
 licenses, levies, assessments, etc., with the collection of which he may be chargeable by reason of his election or appointment as
 aforesaid.

SIGNED, SEALED and DATED October 1, 2018

X

The Ohio Casualty Insurance Company

By: X

Beulah Young

Attorney-in-Fact



**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 June 30, 2018

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: Sara Layne Zumwalt

TO: Beverly J. Obert

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: October 1, 2018

Principal

By: _____

The Ohio Casualty Insurance Company

By: _____

Beulah Young

Attorney-In-Fact

Agreed to and accepted by:

By: _____

Title	Department	Hours Worked Per Wk	Hourly Payrate	Annual Salary	Graduate Degree
Current Positions					
Cataloger	Technical Services	40.00		\$ 41,701.12	MLIS
Cataloger	Technical Services	40.00		\$ 49,058.35	MLS
Courier	Delivery	19.00	\$ 11.30		
SHARE Administrative Services Manager	Technical Services	40.00		\$ 75,683.29	MLS/MA
Executive Director	General Administration	40.00		\$ 136,881.94	MLS
Courier	Delivery	19.00	\$ 11.35		
Courier	Delivery	19.00	\$ 12.08		
Page/Sorter	Delivery	19.00	\$ 10.12		
Cataloger	Technical Services	40.00		\$ 43,160.52	
Information Technology Director	Information Technology	40.00		\$ 93,477.27	
Page/Sorter	Delivery	19.00	\$ 10.92		
Executive Assistant	General Administration	40.00		\$ 44,774.07	
Network Administrator	Information Technology	40.00		\$ 66,628.12	
Courier	Delivery	19.00	\$ 11.30		MA
Courier	Delivery	19.00	\$ 10.92		
Courier	Delivery	19.00	\$ 11.30		
Courier	Delivery	19.00	\$ 10.24		
Courier	Delivery	19.00	\$ 10.24		
Page/Sorter	Delivery	19.00	\$ 9.79		
Grant Specialist	General Administration	10.00	\$ 35.42		MS
Senior Accountant	Accounting	40.00		\$ 56,000.00	
Courier	Delivery	40.00	\$ 14.39		
Courier	Delivery	19.00	\$ 12.63		
Cataloging Supervisor	Resource Sharing	40.00		\$ 49,847.20	
Courier	Delivery	19.00	\$ 10.24		
Page/Sorter	Delivery	19.00	\$ 10.12		
Courier	Delivery	19.00	\$ 10.92		
Page/Sorter	Delivery	19.00	\$ 11.25		
Courier	Delivery	19.00	\$ 11.30		
Page/Sorter	Delivery	19.00	\$ 9.50		
Courier	Delivery	19.00	\$ 11.35		
Courier	Delivery	19.00	\$ 10.24		
Courier	Delivery	19.00	\$ 10.55		
Human Resources Generalist	Human Resources	40.00		\$ 52,530.12	MSHRM
Page/Sorter	Delivery	19.00	\$ 9.50		
Marketing Coordinator	General Administration	40.00		\$ 44,000.00	MA
SHARE Circulation Specialist	Resource Sharing	40.00		\$ 40,000.00	
Courier	Delivery	19.00	\$ 10.55		
Courier	Delivery	19.00	\$ 10.55		
Page/Sorter	Delivery	19.00	\$ 9.79		
Courier	Delivery	19.00	\$ 11.30		
Courier	Delivery	19.00	\$ 10.92		
Finance Director	Accounting	40.00		\$ 70,000.01	
Cataloging Assistant II	Resource Sharing	10.00	\$ 23.19		MLS
Tech Support Specialist	Resource Sharing	40.00		\$ 35,816.31	
Courier	Delivery	19.00	\$ 13.17		
Operations Manager	Delivery	40.00		\$ 49,420.61	

Title	Department	Hours Worked Per Wk	Hourly Payrate	Annual Salary	Graduate Degree
Current Positions					
Courier	Delivery	19.00	\$ 12.08		
Page/Sorter	Delivery	19.00	\$ 10.12		
Courier	Delivery	19.00	\$ 11.30		
Courier	Delivery	40.00	\$ 14.39		
Delivery Coordinator	Delivery	40.00	\$ 16.64		
SHARE Reportings Services Specialist	Resource Sharing	10.00	\$ 21.32		
Courier	Delivery	19.00	\$ 14.83		
Courier	Delivery	19.00	\$ 11.25		
Courier	Delivery	19.00	\$ 13.17		MA
Courier	Delivery	19.00	\$ 11.30		
Courier	Delivery	19.00	\$ 11.30		
Accounting Assistant	Accounting	32.00	\$ 18.63		
Page/Sorter	Delivery	19.00	\$ 10.12		
Courier	Delivery	19.00	\$ 11.30		MA
Accounts Receivable Coordinator	Accounting	40.00		\$ 47,500.00	
Courier	Delivery	19.00	\$ 11.02		
Operations Director	Delivery	40.00		\$ 75,775.16	
Delivery Coordinator	Delivery	40.00	\$ 14.50		
Courier	Delivery	19.00	\$ 10.24		
Courier	Delivery	19.00	\$ 13.50		
SHARE Circulation Specialist	Resource Sharing	40.00		\$ 43,376.59	
Cataloger	Resource Sharing	40.00		\$ 40,290.62	
Communications Coordinator	General Administration	40.00		\$ 47,390.98	
Courier	Delivery	19.00	\$ 11.35		
Area Manager	Delivery	40.00		\$ 53,718.87	
Cataloger	Resource Sharing	40.00		\$ 40,290.62	MA
Page/Sorter	Delivery	19.00	\$ 9.50		
Associate Director	General Administration	40.00		\$ 97,852.29	MLS
Cataloger	Resource Sharing	40.00		\$ 40,000.00	
Courier	Delivery	19.00	\$ 11.35		
Sorter	Delivery	19.00	\$ 9.50		
Courier	Delivery	40.00	\$ 11.25		
Metadata Cataloger	Technical Services	40.00		\$ 40,000.00	MLIS
Courier	Delivery	19.00	\$ 11.25		
Cataloger	Resource Sharing	40.00		\$ 45,999.98	
Page/Sorter	Delivery	19.00	\$ 10.12		
Page/Sorter	Delivery	19.00	\$ 11.25		
SHARE Administrative Service Specialist	Resource Sharing	40.00		\$ 37,336.76	
Courier	Delivery	19.00	\$ 11.25		
SHARE Bibliographic Services Manager	Resource Sharing	40.00		\$ 64,282.49	MLIS
Courier	Delivery	19.00	\$ 10.55		
Courier	Delivery	19.00	\$ 10.24		
Page/Sorter	Delivery	19.00	\$ 9.79		
Bibliographic Project Coordinator	Technical Services	40.00		\$ 54,901.68	PHD
Administrative Assistant	General Administration	40.00	\$ 14.19		
SHARE Director	Resource Sharing	40.00		\$ 80,815.36	
Courier	Delivery	40.00	\$ 14.39		
Courier	Delivery	19.00	\$ 13.17		
Courier	Delivery	19.00	\$ 11.25		
Web Developer	Information Technology	40.00		\$ 71,371.83	
Courier	Delivery	19.00	\$ 10.92		
Courier	Delivery	19.00	\$ 11.35		
Membership Coordinator	General Administration	40.00		\$ 56,649.85	MLIS
Courier	Delivery	19.00	\$ 10.24		
SHARE Circulation Specialist	Resource Sharing	19.00	\$ 25.14		MLS

Title	Department	Hours Worked Per Wk	Hourly Payrate	Annual Salary	Graduate Degree
Courier	Delivery	19.00	\$ 10.55		
Vacant Positions					
Web & IT Administrator	Information Technology				
Staff Terminations (Voluntary/Involuntary)					
Page/Sorter	Delivery	19.00	\$ 9.50		
Courier	Delivery	19.00	\$ 10.60		
Courier	Delivery	19.00	\$ 11.54		MS
Page/Sorter	Delivery	19.00	\$ 10.91		
Courier	Delivery	19.00	\$ 10.92		
SHARE Administrative Services Manager	Resource Sharing	40.00		\$ 64,557.67	
Chief Fiscal Officer	Accounting	40.00		\$ 79,745.18	
Operations Manager	Delivery	40.00		\$ 45,108.37	
Courier	Delivery	19.00	\$ 11.30		
Page/Sorter	Delivery	19.00	\$ 11.25		
Page/Sorter	Delivery	19.00	\$ 9.50		
Courier	Delivery	19.00	\$ 11.30		
Page/Sorter	Delivery	19.00	\$ 10.12		
Courier	Delivery	19.00	\$ 11.30		
Courier	Delivery	19.00	\$ 11.25		
Sorter	Delivery	19.00	\$ 9.50		
None					



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 six (6) eligible candidates for each open seat. Any incumbent board member running for a second term will automatically be awarded a slot on the ballot. 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
Amended by the Illinois Heartland Library System Board of Directors on February 26, 2019

**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 FY2019, 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 FY2019.)

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)	227
A2 Number of all public libraries (buildings)	243
A3 Number of all academic libraries (agencies)	30
A4 Number of all academic libraries (buildings)	76
A5 Number of all school libraries (agencies)	235
A6 Number of all school libraries (buildings)	925
A7 Number of all special libraries (agencies)	32
A8 Number of all special libraries (buildings)	36
A9 Number of all others	1
Total Libraries in RLS	524 agencies/1280 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)	8
G2 Number of all public libraries (buildings)	8
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	
Total Stand Alone Libraries	124 agencies/351 buildings

H. RLS Libraries that are Not Automated	
H1 Number of all public libraries (agencies)	7
H2 Number of all public libraries (buildings)	7
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)	12
H8 Number of all special libraries (buildings)	12
H9 Number of all other types	0
Total Non-Automated Libraries	29 agencies/116 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	FY2019
Personnel		
	Library Professionals	\$393,955.46
	Other Professionals	\$277,302.63
	Support Services	\$96,134.91
	Social Security Taxes (FICA)	\$58,371.33
	Unemployment Insurance	\$3,237.85
	Workers' Compensation	\$1,791.01
	Retirement Benefits	\$55,964.96
	Health, Dental, and Life Insurance	\$101,681.41
	Temporary Help	n/a
	Training & Professional Development	\$557.20
	Recruiting	\$140.00
TOTAL		\$989,136.76
Library Materials		
	Print Materials	n/a
	Nonprint Materials	n/a
	E-Resources	\$98,255.13
TOTAL		\$98,255.13
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	\$1,482.23
	Repairs & Maintenance	n/a
	Vehicle Insurance	n/a
	Vehicle Leasing & Rent	n/a
TOTAL		\$1,482.23
Travel & CE for Staff & Board		
	In-State Travel	\$6,827.67
	Out-of-State Travel	\$8,694.21
	Registration & Other Fees	\$4,803.50
TOTAL		\$20,325.38
Continuing Education & Meetings / Others		
TOTAL		\$9.51
Public Relations		
TOTAL		\$896.65
Liability Insurance		
TOTAL		n/a

Supplies, Postage & Printing		
	Computer Supplies	\$6,421.27
	General Office Supplies & Equipment	\$932.02
	Internal Printing/Photocopying	n/a
	Postage	\$808.73
	Library Supplies	n/a
	Other	n/a
TOTAL		\$8,162.02
Telephone & Telecomm		
	Local/Long Distance – Voice	\$9,943.85
	Telecomm – Data & Fax	\$7,739.64
TOTAL		\$17,683.49
Equipment Rental, Repair & Maintenance		
	Equipment Rental	n/a
	Equipment Repair & Maintenance	\$3,456.64
	Maintenance Agreement	n/a
	Computer Hardware Insurance	n/a
TOTAL		\$3,456.64
Professional Services		
	Legal	\$418.00
	Accounting	\$10,300.00
	Consulting	n/a
	Contractual Staff	\$2,445.00
TOTAL		\$13,163.00
Contractual Services		
	Information Services (bibliographic databases, online subscriptions, etc)	\$196,598.60
	Contractual Agreements	n/a
	Outside Printing	n/a
	Other Contractual Services	n/a
TOTAL		\$196,598.60
Interlibrary Loan Charges		
TOTAL		n/a
Professional Association Membership Dues		
TOTAL		\$950.00
Miscellaneous		
TOTAL		\$204.79
Member Library Reimbursement Expense		
TOTAL		\$203,075.57
TOTAL OPERATING EXPENSES		\$1,553,399.77

Table 2
LLSAP Annual Revenues

Revenues	Revenue Item	FY2019
State Grants		

TOTAL		n/a
Federal Grants		
TOTAL		n/a
Other Grants		
TOTAL		n/a
LLSAP Participation / Service Fees		
	Annual Participation Fees (from all categories of participants)	\$1,459,691.28
	One-Time Startup Fees	n/a
	Other (SAM & ICN)	\$13,809.60
TOTAL		\$1,473,500.88
Interest Income		
TOTAL		\$17,903.32
Other Revenue		
	Miscellaneous	\$29.12
	Grant Administration Fee	\$28,361.60
TOTAL		\$28,390.72
TOTAL REVENUE		\$1,519,794.92

Tables B-O: LLSAP Supplemental Information

B. LLSAP Participation Information – Full Fee-Paying Participant	
B1 Number of all public libraries (agencies)	203
B2 Number of all public libraries (buildings)	217
B3 Number of all academic libraries (agencies)	7
B4 Number of all academic libraries (buildings)	7
B5 Number of all school libraries (agencies)	111
B6 Number of all school libraries (buildings)	233
B7 Number of all special libraries (agencies)	13
B8 Number of all special libraries (buildings)	13
B9 Number of all other types	30
Total Full Fee-Paying Participants	334 agencies/470 locations
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)	6
C2 Number of all public libraries (buildings)	6
C3 Number of all academic libraries (agencies)	0
C4 Number of all academic libraries (buildings)	0
C5 Number of all school libraries (agencies)	0
C6 Number of all school libraries (buildings)	0
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	6 agencies/6 locations

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	n/a

F. Participants	
F1 Participants as of June 30, 2019	340 agencies/476 buildings

I. Bibliographic Record Information	
I1 Total number of bibliographic records in database	8,338,029
I2 Total number of item records in database	9,112,244
I3 Total number of patrons listed in patron database	813,340

J. LLSAP Use by All Participants	
J1 Total search transactions in past 12 months (FY2019)	8,827,992
J2 Total circulation transactions in past 12 months (FY2019)	8,942,885
J3 Total interlibrary loan transactions in FY2019	1,559,749
J4 Total reciprocal borrowing transactions in FY2019	637,094

K. Cost and Revenue Information	
K1 Annual Total Fees Received From Full Members	\$1,252,679.15
K2 Annual Total Fees Received From Partial Members	\$4,695.00
K3 Annual Fees/Support Received From RLS	\$300,000.00
K4 FTEs Charged to LLSAP Operating Expenses	13
K5 FTEs Supporting LLSAP but Not Charged to LLSAP operating costs	0
K6 Annual Total Cost of Operating the LLSAP	\$1,553,399.77

L. Cost Components of Operating the LLSAP	
Personnel	\$989,136.76
Library materials	\$98,255.13
Vehicle Expense	\$1,482.23
Travel & CE for Staff & Board	\$20,325.38
Continuing Education & Meetings / Others	\$9.51
Public Relations	\$896.65
Supplies, Postage & Printing	\$8,162.02
Telephone & Telecommunications	\$17,683.49
Equipment Rental, Repair & Maintenance	\$3,456.64
Professional Services	\$13,163.00
Contractual Services	\$196,598.60
Professional Association Membership Dues	\$950.00
Miscellaneous	\$204.79
Member Library Reimbursement Expense	\$203,075.57
Total All Expenditures	\$1,553,399.77

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%; \$1,575.00 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; \$630.00 minimum to \$3,675.00 maximum
SHARE Basic Fee Special Libraries (annual)	Calculation formula = ((annual circulation x .05) + (total items x .03) + (total patrons x .03)) x .05; \$1,050.00 minimum
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)	\$500.00
Polaris Module Telephone Notification (optional)	\$1,138.00
Polaris Module EDI (Electronic Data Exchange) (optional)	\$500.00

FY 2019 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.

This report includes both system and ILDS delivery.

Table 1: Delivery Operating Expenses

Delivery Expenditures	Expense Item	FY2019 System Delivery	FY2019 ILDS
Delivery Personnel			
	Library Professionals		
	Other Professionals	\$ 224,153.01	\$ -
	Support Services	\$ 585,989.08	\$ 165,704.42
	Social Security Texas (FICA)	\$ 61,456.19	\$ 12,596.90
	Unemployment Insurance	\$ 8,983.91	\$ 1,720.10
	Workers' Compensation	\$ 38,298.81	\$ 13,482.21
	Retirement Benefits	\$ 15,599.39	\$ 4,414.31
	Health, Dental, and Life Insurance	\$ 55,725.43	\$ 19,294.57
	Retention & Wellness	\$ 1,032.24	\$ 120.01
	Temporary Help	\$ -	\$ -
	Recruiting	\$ 3,020.40	\$ 95.10
	TOTAL	\$ 994,258.46	\$ 217,427.62
Delivery Buildings & Grounds			
	Rent	\$ 26,191.96	\$ -
	Utilities	\$ 14,679.78	\$ -
	Property Insurance	\$ 6,003.24	\$ -
	Repairs & Maintenance	\$ 15,356.32	\$ -
	Janitorial Services & Supplies	\$ 5,453.47	\$ -
	Other	\$ 5,339.36	\$ -
	TOTAL	\$ 73,024.13	\$ -
Delivery Vehicle Expense			
	Fuel	\$ 122,968.35	\$ 46,397.04
	Repairs & Maintenance	\$ 32,071.82	\$ 16,456.74
	Vehicle Insurance	\$ 21,044.00	\$ 2,570.00
	Other Vehicle Expense	\$ 662.38	\$ 284.47
	Vehicle Leasing & Rent	\$ -	\$ -
	TOTAL	\$ 176,746.55	\$ 65,708.25
Travel & CE for Delivery Staff			
	In-State Travel	\$ 1,638.45	\$ 233.90
	Out-of-State Travel	\$ -	\$ -
	Registration & Other Fees	\$ 1,075.56	\$ 398.16
	TOTAL	\$ 2,714.01	\$ 632.06
Public Relations			
	TOTAL	\$ 413.35	
Delivery Liability Insurance			
	TOTAL	\$ 5,937.43	
Supplies, Postage & Printing			
	Delivery Supplies	\$ 18,375.16	\$ 2,786.02
	General Office Supplies & Equipment	\$ 345.20	\$ 261.31
	Internal Printing/Photocopying	\$ -	\$ -
	Postage	\$ 48.30	\$ -
	Library Supplies	\$ -	\$ -
	Other	\$ 414.22	\$ 31.95
	TOTAL	\$ 19,182.88	\$ 3,079.28
Delivery Telephone & Telecomm			
	Local/Long Distance – Voice	\$ 8,471.98	\$ -
	Telecomm – Data & Fax	\$ 3,179.22	\$ -
	TOTAL	\$ 11,651.20	\$ -
Delivery Equipment Rental, Repair & Maintenance			

Delivery Expenditures	Expense Item	FY2019 System Delivery	FY2019 ILDS
	Equipment Rental	\$ -	\$ -
	Equipment Repair & Maintenance	\$ 3,209.91	\$ -
	Maintenance Agreement	\$ -	\$ -
	Computer Hardware Insurance	\$ -	\$ -
	TOTAL	\$ 3,209.91	\$ -
Delivery Professional Services			
	Legal	\$ -	\$ 1,295.00
	Accounting	\$ -	\$ -
	Consulting	\$ -	\$ -
	Contractual Staff	\$ -	\$ -
	TOTAL	\$ -	\$ 1,295.00
Delivery Contractual Services			
	Contractual Agreements with commercial carriers	\$ -	\$ -
	TOTAL	\$ -	\$ -
TOTAL OPERATING EXPENSES		\$ 1,287,137.92	\$ 288,142.21

Table 2: Delivery Supplemental Statistics as of June 30, 2019

2. 1 All Agencies	Number receiving system-provided delivery	Number receiving outsourced delivery	Total
Public libraries (agencies)	227	0	227
Academic libraries (agencies)	30	0	30
School libraries (agencies)	235	0	235
Special libraries (agencies)	32	0	32
TOTAL	524		524
3.3 Community Delivery Partnership (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			
2 day per week			
3 day per week			
4 day per week			
5 day per week			
Other - Access to 5 Days a Week	524		
TOTAL	524		