

ILLINOIS HEARTLAND LIBRARY SYSTEM
AUDIT REPORT PRESENTATION
JUNE 30, 2018

Report
Page

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

3-4 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*

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

14-15 Government - Wide Financial Statements (GASB 34) -

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net Position, Beginning of Year	\$ 9,789,634	\$ 10,244,780	\$ 11,034,425
Change in Net Position	722,610	(455,146)	(789,647)
Net Position, End of Year	<u>\$ 10,512,244</u>	<u>\$ 9,789,634</u>	<u>\$ 10,244,778</u>

16 Balance Sheet - Governmental Funds

<u>Cash Balances</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>Change (2018 vs 2017)</u>
General Fund	\$ 4,143,400	\$ 3,147,818	\$ 4,906,569	\$ 995,582
CMC Grant Fund	24,652	35,326	37,728	(10,674)
Capital Projects Fund	988,949	983,409	1,335,326	5,540
Non-Major Funds	6,805	66,401	70,631	(59,596)

Note: The General Fund showed a \$1.1 million receivable at 6/30/18 related to the Per Capita Grant

18 Statement of Revenues, Expenditures and Changes in Fund Balance

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>Change (2018 vs 2017)</u>
<u>General Fund</u>				
Receipts	\$ 3,706,867	\$ 2,330,215	\$ 2,099,983	\$ 1,376,652
Disbursements	(2,973,213)	(2,433,857)	(2,270,097)	(539,356)
Gain on Disposal of F/A	26,715			26,715
Transfer Out	(231,072)	(248,161)	(202,034)	17,089
Net Change In				
Fund Balance	<u>\$ 529,297</u>	<u>\$ (351,803)</u>	<u>\$ (372,148)</u>	<u>\$ 881,100</u>

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				<u>Change (2018</u>
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>vs 2017)</u>
18 <u>CMC Grant Fund</u>				
Receipts	\$ 293,028	\$ 363,020	\$ 404,346	\$ (69,992)
Disbursements	(293,334)	(350,337)	(406,343)	57,003
Transfer Out	0	0	0	0
Net Change In				
Fund Balance	\$ (306)	\$ 12,683	\$ (1,997)	\$ (12,989)
18 <u>Capital Projects Fund</u>				
Receipts	\$ 5,540	\$ 4,982	\$ 25,213	\$ 558
Disbursements	0	(356,900)	(129,570)	356,900
Transfer In	0	0	0	0
Net Change In				
Fund Balance	\$ 5,540	\$ (351,918)	\$ (104,357)	\$ 357,458
18 <u>Non-Major Funds</u>				
Receipts	\$ 143,977	\$ 193,370	\$ 852,892	\$ (49,393)
Disbursements	(190,140)	(167,507)	(840,897)	(22,633)
Transfer In (Out)	(18,928)	(1,839)	2,034	(17,089)
Net Change In				
Fund Balance	\$ (65,091)	\$ 24,024	\$ 14,029	\$ (89,115)

Note: The IMSA and Dream Grants are being listed as Non-Major Funds at 6/30/17 and 6/30/16 as these grants ended at 6/30/16. In prior year's these funds were shown as Major Funds. Due there being no monies received in the current year from these grants, it shows a significant fluctuation from the prior years.

Changes in Fund Balances

18 <u>Major Funds</u>				
Fund Balances:				
General Fund	\$ 5,012,310	\$ 4,483,013	\$ 4,834,815	\$ 529,297
CMC Grant	13,656	13,962	1,276	(306)
Capital Projects Fund	988,949	983,409	1,335,326	5,540
Total	\$ 6,014,915	\$ 5,480,384	\$ 6,171,417	\$ 534,531
18 <u>Other Governmental Funds</u>				
Fund Balance:				
Plinkit Project	\$ 0	\$ 41,464	\$ 41,464	\$ (41,464)
OCLC Grant	(1,329)	20,508	(5,355)	(21,837)
Marc of Quality	0	0	0	0
SWAYS	1,974	1,886	1,886	88
Growing SHARE Fund	0	1,878	1,878	(1,878)
Total	\$ 645	\$ 65,736	\$ 39,873	\$ (65,091)

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>Change (2018 vs 2017)</u>
<u>SHARE</u>				
Operating Revenues	\$ 1,595,971	\$ 1,466,760	\$ 1,560,830	\$ 129,211
Operating Expenses	(1,737,221)	(1,702,194)	(1,898,846)	(35,027)
Other	12,205	4,466	1,117	7,739
Transfers In	250,000	250,000	200,000	-
Net Income (Loss)	<u>\$ 120,955</u>	<u>\$ 19,032</u>	<u>\$ (136,899)</u>	<u>\$ 101,923</u>

42-44 Budget vs Actual - Major Funds

	<u>Budgeted Revenues</u>	<u>Actual Revenues</u>	<u>Favorable (Unfavorable)</u>
General Fund	\$ 3,639,487	\$ 3,706,867	\$ 67,380
CMC Grant Fund	293,028	293,028	0
Capital Projects Fund		5,540	5,540

	<u>Budgeted Expenses</u>	<u>Actual Expenses</u>	<u>Favorable (Unfavorable)</u>
General Fund	\$ 3,075,884	\$ 2,973,213	\$ 102,671
CMC Grant Fund	293,028	293,334	(306)
Capital Projects Fund	0	0	0

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ILLINOIS HEARTLAND LIBRARY SYSTEM

REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2018

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ILLINOIS HEARTLAND LIBRARY SYSTEM

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

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

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

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

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

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

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

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

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

Total Fund Balance, Governmental Funds		\$ 6,015,560
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Those assets consist of		
Land	\$ 411,667	
Assets in Progress	135,035	
Buildings and Improvements, net of \$1,480,281 accumulated depreciation	773,419	
Equipment and Other, net of \$1,996,771 accumulated depreciation	6,950	
Furniture and Fixtures, net of \$391,590 accumulated depreciation	0	
Computers, net of \$963,633 accumulated depreciation	105,588	
Automobiles, net of \$645,945 accumulated depreciation	318,140	
Total		1,750,799
Net pension asset and related deferrals are not due and payable and/or receivable in the current period, therefore, is not reported in governmental funds		
		918,978
Balance of Compensated Absences at June 30, 2018		(151,064)
Total Net Position of Governmental Activities		<u>\$ 8,534,273</u>

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

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

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

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

Net Change in Fund Balances - Total Governmental Funds	\$ 469,440
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures while Governmental Activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlay exceeds depreciation expense in the current period, including gains or losses on disposition of assets.	105,410
Expenses for compensated absences reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds	(20,446)
Changes in net pension asset/liability, deferred outflows and deferred inflows related to pension assets/liabilities are reported only in the Statement of Activities	47,251
Change in Net Position of Governmental Activities	<u>\$ 601,655</u>

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

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

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

The accompanying notes are an integral part of the financial statements

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

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

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

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

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

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

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

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

DRAFT

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

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

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

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

The fund types of the System are described below:

Governmental Funds

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Major Special Revenue Fund

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

Non-Major Special Revenue Funds

The System's non-major special revenue funds include: Growing SHARE Fund, Plinkit Project Fund, OCLC Grant Fund, Marc of Quality Grant Fund, and SWAYS Fund.

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

Proprietary Fund

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

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

Fiduciary Funds

Fiduciary funds are used to report assets held by the System in a trustee or agency capacity for others and therefore cannot be used to support the System's own programs. The System has one fiduciary fund, the OCLC–Agency Fund, which is used to account for funds held in trust for the ILLINET OCLC.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting

1. Accrual

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

2. Modified Accrual

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

D. Cash and Cash Equivalents

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

E. Receivables

Receivables are reported at the estimated net realizable amounts from third-party payers and others for services rendered. Receivables are stated at the amount management expects to collect on outstanding balances. The System's allowance for doubtful receivables at June 30, 2018 was \$0.

F. Interfund Balances

Receivables and payables between funds are reported as due from and due to other funds, respectively. Amounts not expected to be repaid within a reasonable time are considered interfund transfers. In governmental funds, amounts due from other funds expected to be repaid within a reasonable time, but beyond one year from June 30, 2018, as well as other long-term receivables are offset by non-spendable fund balance because they do not represent expendable, available financial resources.

G. Prepaid Expenditures/Expenses

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets

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

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

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

The System has no intangible assets subject to capitalization.

I. Use of Restricted Resources

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

J. Deferred Outflows/Inflows of Resources

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Program Revenues

Program Revenues on the statement of activities include the following:

Governmental Activities

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

Business-type Activities

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

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

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

M. Reimbursement Revenue

In the fund financial statements, the System has recorded \$12,319 of Reimbursements Revenue and Contractual Services Expenditures related to the allocation of Administrative and Facilities Costs from the General Fund to certain grant funds, as allowed by the applicable grant agreement. In the government-wide financial statements, this interfund activity has been eliminated.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Compensated Absences

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

O. Estimates

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

NOTE 2. FUND BALANCE REPORTING

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

A. Nonspendable Fund Balance

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example inventories or prepaid amounts. The General Fund had nonspendable funds of \$20,144 at fiscal year end June 30, 2018.

B. Restricted Fund Balance

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

1. State and Local Grants

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

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

NOTE 2. FUND BALANCE REPORTING (CONTINUED)

C. Committed Fund Balance

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

The System's Board commits fund balance by making motions or passing resolutions to adopt policy or to approve contracts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. There were no committed fund balances for the System as of June 30, 2018.

D. Assigned Fund Balance

The assigned fund balance classification refers to amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted or committed. Intent may be expressed by (a) the System's Board itself or (b) the finance committee, if applicable, to assign amounts to be used for specific purposes. The Capital Projects Fund showed an assigned balance of \$988,949, as of June 30, 2018.

E. Unassigned Fund Balance

The unassigned fund balance classification is the residual classification for amounts in the General Operating Funds for amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund and OCLC Grant Fund showed unassigned fund balances of \$4,992,166, and (\$1,329), respectively, as of June 30, 2018.

F. Expenditures of Fund Balance

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

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

NOTE 3. CASH AND CASH EQUIVALENTS

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

Cash and Cash Equivalents	<u>\$ 6,484,321</u>
Total	<u>\$ 6,484,321</u>
 Fiduciary Funds	
Cash and Cash Equivalents	<u>\$ 2,598,692</u>
Total	<u>\$ 2,598,692</u>

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

A. Interest Rate Risk

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

B. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The credit risk of investments is addressed by the System's investment policy by limiting investments to instruments insured by the FDIC, issued by the U.S. Treasury, or the Illinois Funds portfolios overseen by the Treasurer of the State of Illinois. The System has \$3,965,542 deposited into accounts with the Illinois Funds. The investment pool has earned Standard and Poor's highest rating (AAAm).

C. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. None of the System's cash or cash equivalents were considered to be uninsured or uncollateralized as of June 30, 2018.

The System's investment in the state investment pool is fully collateralized. The System maintains a separate investment account representing a proportionate share of the pool assets and its respective collateral; therefore no collateral is identified with each individual participant's account. The balance in the System's state investment pool as of June 30, 2018, was \$3,965,542. The System's investment in the state investment pool is reported at cost which estimate fair value.

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

NOTE 4. RECEIVABLES

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

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

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

	<u>Receivables</u>
Other	\$ 25,776
Total	<u>\$ 25,776</u>

NOTE 5. CAPITAL ASSETS

The following is a summary of the changes in capital assets of the governmental activities for the year ended June 30, 2018:

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

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

NOTE 5. CAPITAL ASSETS (CONTINUED)

Current year depreciation expense was charged to the following function:

General Library Services \$235,362

The following is a summary of the changes in capital assets of the business-type activities and enterprise fund for the year ended June 30, 2018:

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

Current year depreciation expense was charged to the following function:

Computer Development \$95,744

NOTE 6. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in the System's long-term liabilities of the governmental activities for the year ended June 30, 2018:

	<u>June 30, 2017</u>	<u>Current Year Change</u>	<u>June 30, 2018</u>	<u>Due Within One Year</u>
Accrued				
Compensated Absences	<u>\$ 130,618</u>	<u>\$ 20,446</u>	<u>\$ 151,064</u>	<u>\$ 0</u>

The following is a summary of changes in the System's long-term liabilities of the business-type activities and enterprise fund for the year ended June 30, 2018:

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

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

NOTE 7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

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

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

Interfund transfers made during the year ended June 30, 2018, are summarized below:

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

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

NOTE 8. RISK OF LOSS

Significant losses are covered by commercial insurance for property, liability, and workers compensation. During the year ended June 30, 2018, there were no significant reductions in coverage. There have been no material settlement amounts that have exceeded insurance coverage or that have been uncovered by insurance in the past three years.

NOTE 9. LEASES

The System leases office space and copiers under non-cancelable operating leases, expiring at various times between July 2018 and April 2020. Future minimum lease payments under these operating leases are as follows:

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

NOTE 9. LEASES (CONTINUED)

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

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

NOTE 10. COMMITMENTS AND CONTINGENCIES

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

NOTE 11. CONCENTRATION OF REVENUE

For the year ended June 30, 2018, 67 percent of the System's revenue was received through grants or allocations from the Illinois Secretary of State's Office through the Illinois State Library.

NOTE 12. RELATED PARTY TRANSACTIONS

The System's Board of Directors is comprised of representatives from its member organizations. Member organizations pay fees to the System for various services. For the year ended June 30, 2018, total charges for services revenue earned from these organizations was \$180,703.

NOTE 13. DEFINED BENEFIT PENSION PLAN

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

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

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

NOTE 13. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

At December 31, 2017, the following employees were covered by the Plan:

Active Employees	37
Inactive employees or beneficiaries currently receiving benefits	213
Inactive employees entitled to but not yet receiving benefits	<u>92</u>
Total	<u>342</u>

Contributions. As set by statute, the System's Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual required contribution rate for calendar year 2017 was 10.46 percent. For the fiscal year ended June 30, 2018, the System contributed \$180,987 to the plan. The System also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability. The System's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

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

NOTE 13. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Cost Method	Entry Age Normal
Assets Valuation Method	Market Value of Assets
Price Inflation	2.50%
Salary Increases	3.39% to 14.25% including inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2014-2016.
Mortality	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information:

Notes There were no benefit changes during the year.

A detailed description of the actuarial assumptions and methods can be found in the December 31, 2017 Illinois Municipal Retirement Fund annual actuarial valuation report.

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

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

NOTE 13. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at rates equal to the difference between the actuarially determined contribution rates and member rate. The Single Discount Rate reflects:

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

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.5%, the municipal bond rate is 3.31%, and the resulting single discount rate is 7.5%.

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

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

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

NOTE 13. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability calculated using the discount rate of 7.5 percent, as well as, what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

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

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

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources. For the year ended June 30, 2018, the System recognized pension expense of \$114,604. At June 30, 2018, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		
Changes of assumptions		
Net difference between projected and actual earnings		
on Plan investments	\$ 1,041,396	\$ 2,929,670
Contributions after Measurement Date	85,703	
Total	<u>\$ 1,127,099</u>	<u>\$ 2,929,670</u>

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

	<u>Year ending December 31,</u>
2018	\$ (97,965)
2019	(269,668)
2020	(702,519)
2021	(732,419)
2022	0
Thereafter	0
Total	<u>\$ (1,802,571)</u>

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

NOTE 14. EXCESS OF EXPENDITURES OVER BUDGET

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

NOTE 15. NEW ACCOUNTING PRONOUNCEMENTS

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

The System currently offers two post-employment benefits to retirees. Those benefits are 1) continuation of participation in the System's health insurance plan as required by law for a period of 18 months (COBRA coverage) and 2) retiree continuation of health insurance coverage on the System's plan beyond the COBRA period. In relation to both of these benefits, the retiree pays 100% of their own premium cost. As of June 30, 2018, no retirees were covered under COBRA coverage and no retirees were currently participating in the health insurance coverage. There were five employees participating in the dental and vision plan, which the retirees were required to pay 100% of their own premium cost. Due to the limited number of participants in the plan, and the insignificance of the cost incurred by the System, no Other Post Employment Benefit's liability has been recorded as of June 30, 2018.

NOTE 16. SUBSEQUENT EVENTS

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

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

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

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

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

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

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

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

Budgets and Budgetary Basis of Accounting:

A. Budgetary Process

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

B. Legal Level of Budgetary Control

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

C. Amendments to the Budget

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

D. Budgetary Basis of Accounting

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

E. Encumbrances

Encumbrance accounting is not used by the System.

F. Expenditures Over Budget

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

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

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

Calendar year ending December 31,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total Pension Liability										
Service Cost	\$ 186,886	\$ 240,821	\$ 208,201	\$ 235,054						
Interest on the Total Pension Liability	2,331,743	2,314,570	2,234,972	2,109,609						
Benefit Changes	0	0	0	0						
Difference between Expected and Actual Experience	504,869	(214,774)	616,002	139,024						
Assumption Changes	(997,797)	0	0	1,138,977						
Benefit Payments and Refunds	(2,125,298)	(2,044,060)	(1,984,300)	(1,891,157)						
Net Change in Total Pension Liability	\$ (99,597)	296,557	1,074,875	1,731,507						
Total Pension Liability - Beginning	32,059,109	31,762,552	30,687,677	28,956,169						
Total Pension Liability - Ending (a)	\$ 31,959,512	\$ 32,059,109	\$ 31,762,552	\$ 30,687,676						
Plan Fiduciary Net Position										
Employer Contributions	\$ 202,868	\$ 273,509	\$ 325,404	442,904						
Employee Contributions	84,381	94,367	132,256	91,501						
Pension Plan Net Investment Income	5,935,957	2,104,214	152,703	1,819,805						
Benefit Payments and Refunds	(2,125,298)	(2,044,060)	(1,984,300)	(1,891,157)						
Other	(663,474)	506,944	704,141	329,556						
Net Change in Plan Fiduciary Net Position	3,434,434	934,974	(669,796)	792,609						
Plan Fiduciary Net Position - Beginning	31,569,030	30,634,056	31,303,852	30,511,243						
Plan Fiduciary Net Position - Ending (b)	\$ 35,003,464	\$ 31,569,030	\$ 30,634,056	\$ 31,303,852						
Net Pension Liability/(Asset) -Ending (a)-(b)	(3,043,952)	490,079	1,128,496	(616,176)						
Plan Fiduciary Net Position as a Percentage										
of Total Pension Liability	109.52%	98.47%	96.45%	102.01%						
Covered Valuation Payroll	\$ 1,800,090	\$ 2,018,517	\$ 2,245,715	\$ 1,892,045						
Net Pension Liability as a Percentage										
of Covered Valuation Payroll	(169.10%)	24.28%	50.25%	(32.57)%						

Notes to Schedule:

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS

LAST 10 CALENDAR YEARS

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

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Notes to Schedule:

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE SCHEDULE OF CONTRIBUTIONS
SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS
USED IN THE CALCULATION OF THE 2017 CONTRIBUTION RATE

Valuation Date:

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

Methods and Assumptions Used to Determine 2017 Contribution Rates:

Actuarial Cost Method	Aggregate Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Non-Taxing bodies: 10-year rolling period. Taxing bodies (Regular, SLEP and ECO groups): 26-year closed period. Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 21 years for most employers (two employers were financed over 30 years).
Asset Valuation Method	5-Year smoothed market; 20% corridor
Wage Growth	3.50%
Price Inflation	2.75% - approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases	3.75% to 14.50% including inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.
Mortality	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information:

Notes There were no benefit changes during the year.

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

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

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A. SUMMARY OF AUDITOR'S RESULT

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 2018-1 – Internal Control over Financial Statements

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

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

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

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

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

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2017

FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 2017-1 – Internal Control over Financial Statements

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

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

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

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

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

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