

ILLINOIS HEARTLAND LIBRARY SYSTEM

REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2015

ILLINOIS HEARTLAND LIBRARY SYSTEM

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-11
<u>BASIC FINANCIAL STATEMENTS:</u>	
<u>Exhibit</u>	
<u>Government-Wide Financial Statements</u>	
A Statement of Net Position	12
B Statement of Activities	13
<u>Fund Financial Statements</u>	
C Balance Sheet - Governmental Funds	14
D Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	15
E Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	16
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds to the Statement of Activities	17
G Statement of Net Position - Proprietary Fund	18
H Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund	19
I Statement of Cash Flows - Proprietary Fund	20
J Statement of Net Position - Fiduciary Fund	21
<u>NOTES TO FINANCIAL STATEMENTS</u>	22-40

ILLINOIS HEARTLAND LIBRARY SYSTEM

TABLE OF CONTENTS (CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION

<u>Schedule</u>	<u>PAGE</u>
1 Statements of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - Major Governmental Funds	41-45
2 Schedule of Changes in Net Pension Liability and Related Ratios	46
3 Schedule of Employer Contributions	47
Notes to the Schedule of Contributions	48

SUPPLEMENTARY INFORMATION

Schedule

Combining Financial Statements - Governmental Funds

4 Combining Balance Sheet - Non-Major Special Revenue Funds	49
5 Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Special Revenue Funds	50

Individual Fund Financial Statements - Governmental Funds

6 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	51
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Special Revenue Funds

7 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Illinois Machine Sub-Lending Fund	52
8 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - CMC Grant Fund	53
9 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Growing SHARE Fund	54
10 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Plinkit Project Fund	55
11 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - OCLC Grant Fund	56

ILLINOIS HEARTLAND LIBRARY SYSTEM

TABLE OF CONTENTS (CONTINUED)

SUPPLEMENTARY INFORMATION (CONTINUED)

<u>Schedule</u>	<u>PAGE</u>
12 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Info Eyes/SOS Fund	57
13 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Marc of Quality Grant Fund	58
14 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Cataloging Services Fund	59
15 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - SWAYS Fund	60
 <u>Capital Project Fund</u>	
16 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Capital Projects Fund	61



ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON BARTELSON BETHALTO

October 16, 2015

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, 2015, 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, 2015, 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 41-45 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 to 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 October 16, 2015, 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, 2015

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 (System) for the fiscal year which ended June 30, 2015. The MD&A is designed to:

- Assist in focusing on significant financial issues;
- Provide an overview of the Library System's financial activities;
- Identify any material deviations from the financial plan (approved budget); and
- Identify issues and/or concerns for each individual Library System fund.

Background

The Illinois Heartland Library System (IHLS) is a quasi-governmental agency of the State of Illinois created through a merger on July 1, 2011, of four regional library systems in central and southern Illinois: the Lewis & Clark Library System, Lincoln Trail Libraries System, Rolling Prairie Library System and the Shawnee Library System which each dissolved effective June 30, 2011.

Library systems have been a part of the library landscape in Illinois for almost five decades. Following the enacting legislation in 1965 there were 18 Illinois library systems. Prior to the July 2011 IHLS merger, there were nine regional library systems (The remaining five merged at the same time to create the Reaching Across Illinois Library System). Library systems are funded primarily by a grant administered by the Illinois State Library, which is a division of the Illinois Secretary of State. The Library System Area & Per Capita Grant formula is based on \$36.1543 per square mile and \$1.0401 per person. The demographic information from the 2010 Census was used to calculate the FY2015 funding level, and indicated a total population served of 2,248,634, and a 28,368 square mile service area.

Funds received for the Area & Per Capita Grant are utilized by the System to provide services to member libraries and to pay for the basic administration of the organization. In July 2014, 547 libraries of various types participated as members of the System: 40 academic, 227 public, 245 school districts and 35 special libraries. Membership totals vary 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 IHLS members. 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), and supporting Talking Book services in the state through the Illinois Machine Sub-Lending Agency.

A legally established Board of Directors governs the operation of the System. The Board (consisting of fifteen Board members) is 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 the System is:

The Illinois Heartland Library System is a community of multitype libraries developing partnerships and sharing resources in pursuit of excellent service.

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

The System's vision is:

We envision a future where all libraries & information partners collaborate to provide accessible & innovative services.

The 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 the System 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 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 the Library System's programs and projects. Page 12 contains the *Statement of Net Position* which presents information on all of the System's assets and liabilities as of June 30, 2015. The *Statement of Activities*, found on page 13, reflects the change in Net Position and FY2015 Year End Net Position for all IHLS programs and activities. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue 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 the System 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. The System has three types of funds – Governmental, Proprietary, and Fiduciary.

Governmental Funds

There were several governmental funds represented in the FY2015 System financial reports and audit. The *General Fund* contains the financial information for the general administration and operation of the System, and the provision of core services (with the exception of automation and bibliographic access).

A *Capital Projects Fund* was created to ensure there are dedicated funds to be used for the purchase and/or replacement of capital items and for the major repair of facilities. The *Capital Projects Fund* may be utilized for operating capital on a loan basis when allocated State funding is delayed.

Each of these funds was for a specific project undertaken by the System. Some of the more significant grants include (special revenue funds):

The *Statewide Cataloging Maintenance Center (CMC)* Grant provided funding for the System to do original cataloging of library materials and bibliographic database clean up for Illinois libraries and library consortia at a reduced cost. The System has participated in this project for nearly a decade.

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Illinois Machine Sub-Lending Program is part of the Talking Book and Braille Library. This program provided books, magazines, movies, etc. to anyone in Illinois who is unable to comfortably read standard print due to a temporary or permanent visual or physical disability. *The Machine Sub-Lending Program* is responsible for the distribution, training, and repair of the machines used by those Illinois residents who participate in the Talking Book and Braille program. They also provide patron support for the BARD (Braille and Audio Reading Download) Service in Illinois.

Growing Resource Sharing in IHLS by Growing Membership in SHARE is a grant provided by the Illinois State Library to Illinois Heartland Library System. The purpose of this two year grant program (March 2014 to February 2016) was to provide financial assistance for members of IHLS who were not members of SHARE (Sharing Heartland's Available Resources Equally), the local library system automation program, if they chose to do so. This financial assistance is provided through covering those libraries' implementation fees, training, and assistance with adding their records to the databases. Benefits of the grant to the SHARE organization include: additional equipment and a one-time reduction in fees for existing SHARE members; an updated web site including a member information portal with access to membership documents, invoices and statistical reports; and the increased library resources of over 50 additional members available to patrons via interlibrary loan.

Other programs include Plinkit, OCLC Billing, MARC of Quality, SOS and SWAYS, and are represented in the audited statements entitled *Special Revenue Non-Major Funds*.

Proprietary Fund

The System maintained a proprietary fund in this report. 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 Resources Equally (SHARE). The LLSAP currently represents about 284 agencies (utilizing about 471 library buildings). LLSAP membership fluctuates based on factors such as: members' ability to afford membership fees and the heretofore mentioned consolidation of school and academic libraries. IHLS LLSAP participates in a single library automation system with a shared database. Staff from these libraries also received technical and other support as well as training from IHLS.

The basic proprietary fund financial statements can be found on pages 18-20 of this report. The fees collected for this service support out-of-pocket expenditures (including direct staff and their benefits).

Fiduciary Fund

Based on the audited financial statements, IHLS has one Fiduciary fund, *The OCLC Fund*. IHLS mails invoices created by the Illinois State Library to libraries throughout the State for ILLINET OCLC services and applies receipts. These funds are then held in trust and disbursed to OCLC at the direction of the Illinois State Library.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided. The Notes to the Financial Statements can be found on pages 22-40 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the System'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 page 41-45.

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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 49-61 of this report.

Government-Wide Financial Analysis

Over time, Net Position may serve as a useful indicator of a government's financial position. IHLS's Assets exceeded Liabilities by \$11,034,425 at the close of FY2015.

The largest portion the IHLS's Net Position (78 percent) is Cash and Cash Equivalents which is used as working capital, necessitated because of delays in the receipt of the Area and Per Capita funds.

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

Summary of Net Position

Fiscal Years Ended June 30, 2015 and 2014

	Governmental Activities		Business-Type Activities		Total	
		Restated		Restated		Restated
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 7.8	\$ 8.4	\$ 1.6	\$ 1.5	\$ 9.4	\$ 9.9
Capital Assets	1.6	1.4	0.4	0.6	2.0	2.0
Total Assets	<u>\$ 9.4</u>	<u>\$ 9.8</u>	<u>\$ 2.0</u>	<u>\$ 2.1</u>	<u>\$ 11.4</u>	<u>\$ 11.9</u>
Deferred Outflows of Resources	<u>\$ 0.5</u>	<u>\$ 0.2</u>	<u>\$ 0.2</u>	<u>\$ 0</u>	<u>\$ 0.7</u>	<u>\$ 0.2</u>
Current and Other Liabilities	\$ 0.3	\$ 0.9	\$ 0.1	\$ 0.1	\$ 0.4	\$ 1.0
Long-Term Liabilities	0.1	0.1	0.1	0.1	0.2	0.2
Total Liabilities	<u>\$ 0.4</u>	<u>\$ 1.0</u>	<u>\$ 0.2</u>	<u>\$ 0.2</u>	<u>\$ 0.6</u>	<u>\$ 1.2</u>
Deferred Inflows of Resources	<u>\$ 0.4</u>	<u>\$ 0</u>	<u>\$ 0.1</u>	<u>\$ 0</u>	<u>\$ 0.5</u>	<u>\$ 0</u>
Net Position						
Net Investment in Capital Assets	\$ 1.6	\$ 1.4	\$ 0.4	\$ 0.6	\$ 2.0	\$ 2.0
Restricted	0	0	0.7	0	0.7	0
Unrestricted	7.5	7.6	0.8	1.3	8.3	8.9
Total Net Position	<u>\$ 9.1</u>	<u>\$ 9.0</u>	<u>\$ 1.9</u>	<u>\$ 1.9</u>	<u>\$ 11.0</u>	<u>\$ 10.9</u>

Long-Term Liabilities represents the value of earned but unused vacation accumulated by employees as of June 30, 2015. Restricted Assets are the remaining fund balances for the Illinois Machine Sub-Lending Program, the OCLC Grant, and InfoEyes/SOS Program which must be used by those programs only. IHLS has internally created a reserve account in its Computer Development fund for the eRead Illinois program and future capital outlay purchases.

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

The following table (in millions) is a summary of the Statement of Activities for the years ending June 30, 2015 and 2014:

	Governmental Activities		Business-Type Activities		Total	
		Restated		Restated		Restated
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues						
Charges for Services			\$ 1.5	\$ 1.2	\$ 1.5	\$ 1.2
Operating Grants and Contr.	\$ 4.6	\$ 4.2	0.1	0.1	4.7	4.3
Capital Grants and Contr.						
General Revenues	0.2	0.5			0.2	0.5
Internal Activity - Transfers	(0.3)	(0.3)	0.3	0.3		
Total Revenues	<u>\$ 4.5</u>	<u>\$ 4.4</u>	<u>\$ 1.9</u>	<u>\$ 1.6</u>	<u>\$ 6.4</u>	<u>\$ 6.0</u>
Expenses:						
General Library Services	\$ 4.4	\$ 2.3			\$ 4.4	\$ 2.3
Computer Development			\$ 1.9	\$ 1.4	1.9	1.4
Total Expenses	<u>\$ 4.4</u>	<u>\$ 2.3</u>	<u>\$ 1.9</u>	<u>\$ 1.4</u>	<u>\$ 6.3</u>	<u>\$ 3.7</u>
Change in Net Position	\$ 0.1	\$ 2.1	\$ 0	\$ 0.2	\$ 0.1	\$ 2.3
Beginning Net Position	9.0	6.9	1.9	1.7	10.9	8.6
Ending Net Position	<u>\$ 9.1</u>	<u>\$ 9.0</u>	<u>\$ 1.9</u>	<u>\$ 1.9</u>	<u>\$ 11.0</u>	<u>\$ 10.9</u>

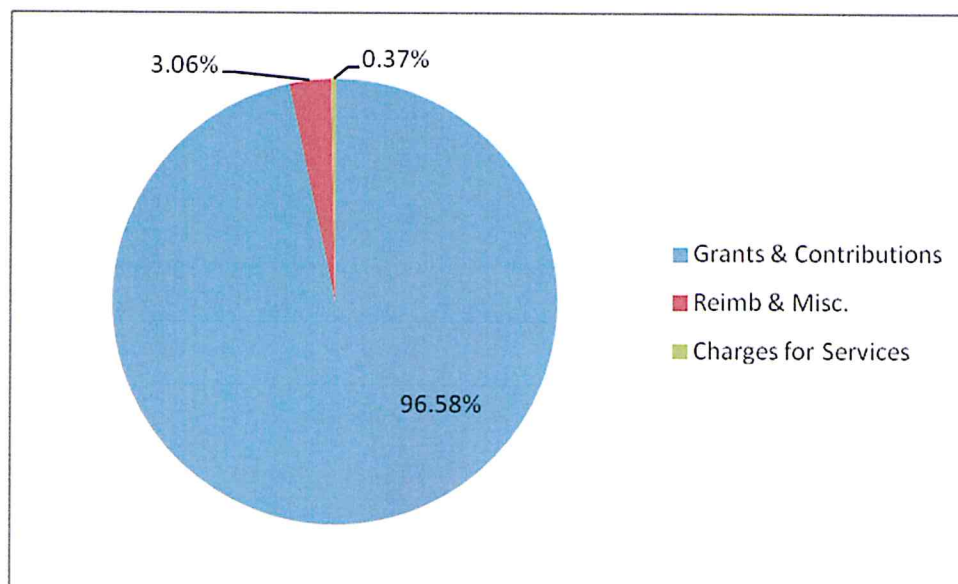
This Statement reflects a change in Net Position of \$121,455. This is a 1.1% increase. The increase in the current year is smaller than the prior year and can be attributed to one main factor. During the current fiscal year, the System adopted Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*. This statement requires the System to change the accounting for the pension costs related to the Systems participation in the Illinois Municipal Retirement Fund. A prior period adjustment of \$1,610,316 was recorded to reflect the activity that had occurred as of June 30, 2014. A required current period adjustment was made to record pension expense of \$520,656, which is reflected in the chart above.

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Revenue by Source

Governmental 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. As reported on the Statement of Revenues, Expenses and Changes in Net Position (page 19), Charges for Services continued to represent a majority of Operating Revenues.

Financial Analysis of the Government's Funds

As noted earlier, the System uses fund accounting to demonstrate and ensure compliance with finance-related legal and grant requirements. As is indicated on page 14, as of June 30, 2015, the System's governmental funds reported a combined ending fund balance of \$6,677,601.

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

General Fund

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

	Original Budget	Final Budget	Actual
Revenues:			
Area and Per Capita Grants	\$ 3,364,400	\$ 3,400,700	\$ 3,400,700
Investment income	360	360	912
Miscellaneous	170,889	170,889	131,988
Total Revenues	<u>\$ 3,535,649</u>	<u>\$ 3,571,949</u>	<u>\$ 3,533,600</u>
Expenditures:			
Personnel	\$ 2,141,872	\$ 1,972,243	\$ 1,991,901
Other Operating Expenditures	787,415	827,366	650,084
Capital Outlays	45,000	45,000	205,423
Total Expenditures	<u>\$ 2,974,287</u>	<u>\$ 2,844,609</u>	<u>\$ 2,847,408</u>
Excess of Revenue Over (Under)			
Expenditures			
Transfers In (Out)	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>
Net Change in Fund Balance	<u>\$ 261,362</u>	<u>\$ 427,340.00</u>	<u>\$ 386,192</u>

The IHLS developed a budget based on the priority areas identified by the Illinois State Library and the FY2015 goals contained in the IHLS Strategic Plan. The budget must be approved by the IHLS Board and the Illinois State Library. IHLS staff uses the budget to guide the operations throughout the fiscal year. This budget was amended to reflect receipt of an additional allocation of System Area & Per Capita Grant funds. The additional monies were used to provide additional delivery services.

Illinois Machine Sub-lending Agency Fund

The *Illinois Machine Sub-lending Agency Fund* (IMSA) had significant staff turnover and a change in management during FY2014, resulting in the fund being under budget at the end of the fiscal year. IHLS requested and received a contract extension to extend the grant to a two-year period (FY2014-FY2015) and a budget amendment to reflect that change. Unused FY2014 funds in the amount of \$42,331 were added to the FY2015 budget. The additional funds improved patron service through upgraded repair equipment, improved staff workstations, and outreach presentation materials.

Cataloging Maintenance Center

In the *Cataloging Maintenance Center Grant* project, we had unanticipated staff changes resulting in the fund being under budget in FY2015.

Growing Resource Sharing in IHLS by Growing Membership in SHARE

This two-year project spans three fiscal years. Activities April – June 2015 focused on equipment and supply purchases on behalf of current and new member libraries. The grant budget is approved by the Illinois State Library. Referred to as the Dream Grant, the project shows great promise and the additional members added to the SHARE Consortium will benefit the organization by an increase in revenue from fees.

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Capital Projects Fund

IHLS has aging buildings, equipment and vehicles. The IHLS facility study is instrumental in developing a multi-year capital improvement program. Funds from the Capital Projects Fund will be used to support these projects.

Capital Assets

The table below shows the value (in thousands) of IHLS Capital Assets at June 30, 2015 and 2014:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	Restated				Restated	
	2015	2014	2015	2014	2015	2014
Land	\$ 411.6	\$ 411.6			\$ 411.6	\$ 411.6
Buildings & Improvements	622.9	647.9			622.9	647.9
Equipment & Other	18.2	10.4			18.2	10.4
Furniture & Fixtures	0	0			0	0
Computers	175.3	64.6	\$ 442.3	\$ 628.3	617.6	692.9
Vehicles	336.2	212.3			336.2	212.3
Total Assets	<u>\$ 1,564.2</u>	<u>\$ 1,346.8</u>	<u>\$ 442.3</u>	<u>\$ 628.3</u>	<u>\$ 2,006.5</u>	<u>\$ 1,975.1</u>

Capital Assets for the System include the purchases of items with a minimum per unit cost of \$5,000. Five delivery vehicles and two staff vehicles were budgeted in FY2014, however the actual expenditure occurred in FY2015.

Discussions of Currently Known Facts, Decisions, or Conditions

The development of the FY2015 budget used a 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.

Primary funding for the Governmental activities is the annual System Area & Per Capita Grant from the Illinois State Library, which is supported by the Illinois General Revenue Fund, the Live and Learn Fund and also Federal funding. 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 Local Library System Automation Project (LLSAP), which provide services to about 284 libraries. Additionally, the System continues to collect fees from organizations that lease or rent the System's training/meeting labs/rooms in one or more locations.

The System Area and Per Capita Grant funding for FY2015 was \$3,400,700. At the end of the fiscal year, Illinois Heartland Library System received all allocated funds for FY2015 within the year.

In recent years, the cash flow crisis in the State of Illinois has forced organizations such as the System to manage their budgets while being keenly mindful of cash positions.

FY2014 marked the first complete fiscal year of nearly 300 member libraries sharing a single integrated library system. The SHARE consortium utilizes Polaris Library Systems for its automation platform. Throughout FY2015, SHARE staff and members continued to modify the platform to better meet the needs of member libraries.

This significant change in services to the majority of IHLS members occurred with the migration to a single automation platform for nearly 300 member agencies. In FY2013, the IHLS Board of Directors accepted the

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

recommendation to purchase an ILS from Polaris Library Systems, Inc. In its first year as an organization (FY2012), IHLS had four separate automation groups or LLSAPs. Each represented one of the former regional library systems. Throughout the course of FY2013, committees and work groups comprised of member library and system staff worked toward the goal of a single LLSAP that would share resources on a new scale through the single Polaris platform. Four LLSAPs (elCat, GateNet, LINC, SILNet) merged effective July 1, 2013, to create SHARE.

Part of the negotiations to merge the four automation groups centered around the capital reserve funds held by each individual group. Each LLSAP had a procedure in place for the disbursement of those funds in the event the organization ceased to exist or merged with another similar organization. It was agreed by each LLSAP and the IHLS Board of Directors that the four LLSAP capital funds would be split between a contribution to the purchase of Polaris and a credit to member libraries. This credit would be in place for two fiscal years—FY2013 and FY2014. Members could designate the credit toward any of their SHARE LLSAP fees and/or toward a one-time joint purchase of technology equipment used with the new Polaris platform. The credit to the member libraries amounted to \$1,353,227.

In FY2013, the IHLS Board of Directors declared the Decatur building as surplus and available for sale. Based on recommendations from the IHLS Facilities Study, the decision was made to consolidate overhead and control costs by moving the operations and projects located at the Decatur building to the Champaign building. The property was sold in August 2013.

A more prudent business practices framework will continue to guide policies and financial decisions, providing a more sustainable model. As IHLS moves into FY2016, 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).

Requests 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 the System'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, 2015

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 7,334,797	\$ 1,151,427	\$ 8,486,224
Due from Other Funds		57,285	57,285
Grants Receivable	33,575		33,575
Accounts Receivable	5,091	40,541	45,632
Prepaid Expenses	863	162,123	162,986
Net Pension Asset	455,970	160,206	616,176
Total Current Assets	\$ 7,830,296	\$ 1,571,582	\$ 9,401,878
Capital Assets:			
Not Being Depreciated	\$ 411,667		\$ 411,667
Being Depreciated -			
Net of Accumulated Depreciation	1,152,631	442,333	1,594,964
Total Assets	\$ 9,394,594	\$ 2,013,915	\$ 11,408,509
Deferred Outflows of Resources:			
Deferred Outflows from Pension Contributions	\$ 471,432	\$ 165,638	\$ 637,070
Total Deferred Outflows of Resources	\$ 471,432	\$ 165,638	\$ 637,070
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 9,866,026	\$ 2,179,553	\$ 12,045,579
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>			
Current Liabilities:			
Accounts Payable	\$ 86,791	\$ 10,874	\$ 97,665
Due to Other Funds	57,285		57,285
Grants Payable	8,200		8,200
Accrued Expenses	155,779	52,102	207,881
Total Current Liabilities	\$ 308,055	\$ 62,976	\$ 371,031
Long-Term Liabilities:			
Compensated Absences Payable	\$ 109,757	\$ 91,553	\$ 201,310
Total Liabilities	\$ 417,812	\$ 154,529	\$ 572,341
Deferred Inflows of Resources:			
Dream Grant	\$ 388,436		\$ 388,436
Prepaid Member Subscriptions		\$ 50,143	50,143
Lost Book Funds	234		234
Total Deferred Inflows of Resources	\$ 388,670	\$ 50,143	\$ 438,813
Net Position:			
Net Investment in Capital Assets	\$ 1,564,298	\$ 442,333	\$ 2,006,631
Restricted			
Grant Expenditures	5,236		5,236
Unrestricted - Reserve Fund		696,522	696,522
Unrestricted	7,490,010	836,026	8,326,036
Total Net Position	\$ 9,059,544	\$ 1,974,881	\$ 11,034,425
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 9,866,026	\$ 2,179,553	\$ 12,045,579

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Program Revenues			Net (Expense)/Revenue		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General Library Services	\$ 4,396,825	\$ 17,643	\$ 4,615,084	\$ 235,902	\$	\$ 235,902
Business-Type Activities:						
Computer Development	1,913,254	1,497,329	148,895		(267,030)	(267,030)
	<u>\$ 6,310,079</u>	<u>\$ 1,514,972</u>	<u>\$ 0</u>	<u>\$ 235,902</u>	<u>\$ (267,030)</u>	<u>\$ (31,128)</u>
General Revenues:						
Reimbursements				\$ 101,242	\$	\$ 101,242
Investment Income				4,023	\$ 310	4,333
Miscellaneous				40,761	6,247	47,008
Internal Activity - Transfers				(300,000)	300,000	
Total General Revenues				<u>\$ (153,974)</u>	<u>\$ 306,557</u>	<u>\$ 152,583</u>
Change in Net Position				\$ 81,928	\$ 39,527	\$ 121,455
Net Position - Beginning of Year, as Previously Reported				7,828,515	1,474,139	9,302,654
Prior Period Adjustment				1,149,101	461,215	1,610,316
Net Position - Beginning of Year, as Restated				8,977,616	1,935,354	10,912,970
Net Position - End of Year				<u>\$ 9,059,544</u>	<u>\$ 1,974,881</u>	<u>\$ 11,034,425</u>

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	Major Funds						
	General Fund	Illinois Machine Sub-Lending Fund	CMC Grant Fund	Growing SHARE Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS:							
Cash and Cash Equivalents	\$ 4,620,787	\$ 26,363	\$ 17,597	\$ 861,585	\$ 1,728,458	\$ 80,007	\$ 7,334,797
Due from Other Funds	743,963						743,963
Grants Receivable						33,575	33,575
Accounts Receivable	4,356			(90)		825	5,091
Prepaid Expenses	863						863
Total Assets	<u>\$ 5,369,969</u>	<u>\$ 26,363</u>	<u>\$ 17,597</u>	<u>\$ 861,495</u>	<u>\$ 1,728,458</u>	<u>\$ 114,407</u>	<u>\$ 8,118,289</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:							
Liabilities:							
Accounts Payable	\$ 45,443	\$ 21,803	\$ 79	\$ 1,279	\$ 17,816	\$ 371	\$ 86,791
Grants Payable						8,200	8,200
Due to Other Funds			377	464,483	270,959	65,429	801,248
Accrued Expenses	117,328	12,055	13,868	7,297		5,231	155,779
Total Liabilities	<u>\$ 162,771</u>	<u>\$ 33,858</u>	<u>\$ 14,324</u>	<u>\$ 473,059</u>	<u>\$ 288,775</u>	<u>\$ 79,231</u>	<u>\$ 1,052,018</u>
Deferred Inflows of Resources:							
Lost Book Funds	\$ 234						\$ 234
Dream Grant				\$ 388,436			388,436
Total Deferred Inflows of Resources	<u>\$ 234</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 388,436</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 388,670</u>
Fund Balances:							
Non-Spendable	\$ 863						\$ 863
Restricted			\$ 3,273			\$ 1,963	5,236
Assigned					\$ 1,439,683	39,462	1,479,145
Unassigned	5,206,101	(7,495)			(6,249)		5,192,357
Total Fund Balances	<u>\$ 5,206,964</u>	<u>\$ (7,495)</u>	<u>\$ 3,273</u>	<u>\$ 0</u>	<u>\$ 1,439,683</u>	<u>\$ 35,176</u>	<u>\$ 6,677,601</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,369,969</u>	<u>\$ 26,363</u>	<u>\$ 17,597</u>	<u>\$ 861,495</u>	<u>\$ 1,728,458</u>	<u>\$ 114,407</u>	<u>\$ 8,118,289</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, 2015

Total Fund Balance, Governmental Funds	\$ 6,677,601
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 \$1,295,510 accumulated depreciation	622,857
Equipment and Other, net of \$1,985,518 accumulated depreciation	18,203
Furniture and Fixtures, net of \$391,590 accumulated depreciation	0
Computers, net of \$824,273 accumulated depreciation	175,347
Vehicles, net of \$559,604 accumulated depreciation	<u>336,224</u>
Total	1,564,298
Net pension asset and deferred pension contributions are not due and receivable in the current period, therefore, are not reported in governmental funds	927,402
Balance of Compensated Absences at June 30, 2015	<u>(109,757)</u>
Total Net Position of Governmental Activities	<u><u>\$ 9,059,544</u></u>

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, 2015

	Major Fund						Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Illinois Machine Sub-Lending Fund	CMC Grant Fund	Growing SHARE 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		\$ 327,409	\$ 305,799	\$ 516,480			\$ 64,448	1,214,136
Other							248	248
Fees for Services and Material	318						17,325	17,643
Reimbursements	91,850							101,242
Investment Income	912			9,392				4,023
Other Revenue	39,820	401			3,111		540	40,761
Total Revenues	\$ 3,533,600	\$ 327,810	\$ 305,799	\$ 525,872	\$ 3,111		\$ 82,561	\$ 4,778,753
EXPENDITURES:								
Current:								
General Library Services:								
Personnel Service	\$ 1,991,901	\$ 241,154	\$ 247,941	\$ 123,188			\$ 79,186	\$ 2,683,370
Contractual Services	181,079	53,223	61,954	148,893			10,348	455,497
Supplies and Materials	458,205	47,653	4,549	137,164	304		4,589	652,464
Member Library Reimbursement Expense	10,800			19,793				30,593
Capital Outlay	205,423		12,974	96,834	89,739			404,970
Total Expenditures	\$ 2,847,408	\$ 342,030	\$ 327,418	\$ 525,872	\$ 90,043		\$ 94,123	\$ 4,226,894
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	686,192	(14,220)	(21,619)	0	(86,932)		(11,562)	551,859
OTHER FINANCING SOURCES (USES):								
Transfers In								
Transfers Out	\$ (300,000)		\$ 24,892				\$ (24,892)	\$ 24,892
Total Other Financing Sources (Uses)	\$ (300,000)	\$ 0	\$ 24,892	\$ 0	\$ 0		\$ (24,892)	\$ (300,000)
NET CHANGE IN FUND BALANCE	386,192	(14,220)	3,273	0	(86,932)		(36,454)	251,859
FUND BALANCE - BEGINNING OF YEAR	4,820,772	6,725	0	0	1,526,615		71,630	6,425,742
FUND BALANCE - END OF YEAR	\$ 5,206,964	\$ (7,495)	\$ 3,273	\$ 0	\$ 1,439,683		\$ 35,176	\$ 6,677,601

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, 2015

Net Change in Fund Balances - Total Governmental Funds	\$ 251,859
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p>	
<p>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.</p>	217,314
<p>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</p>	(1,960)
<p>Changes in Net Pension Asset and deferred pension contributions are reported only in the Statement of Activities</p>	(385,285)
Change in Net Position of Governmental Activities	\$ 81,928

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

	<u>Computer Development Fund</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	
Current Assets:	
Cash and Cash Equivalents	\$ 1,151,427
Due from Other Funds	57,286
Accounts Receivable	40,541
Prepaid Expenses	162,123
Net Pension Asset	160,206
Total Current Assets	<u>\$ 1,571,583</u>
Capital Assets:	
Depreciable Capital Assets	\$ 2,619,009
Accumulated Depreciation	<u>(2,176,676)</u>
Total Capital Assets	442,333
Total Assets	<u>\$ 2,013,916</u>
Deferred Outflows of Resources:	
Deferred Outflow from Pension Contribution	\$ 165,638
Total Deferred Outflows of Resources	<u>\$ 165,638</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 2,179,554</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION:	
Current Liabilities:	
Accounts Payable	\$ 10,874
Due to Other Funds	1
Accrued Expenses	52,102
Total Current Liabilities	<u>\$ 113,120</u>
Long-Term Liabilities:	
Compensated Absences Payable	\$ 91,553
Total Liabilities	<u>\$ 204,673</u>
Deferred Inflows of Resources:	
Prepaid Member Subscriptions	\$ 50,143
Total Deferred Inflows of Resources	<u>\$ 50,143</u>
Net Position:	
Net Investment in Capital Assets	\$ 442,333
Unrestricted - Reserve Fund	696,522
Unrestricted	836,026
Total Net Position	<u><u>\$ 1,974,881</u></u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 2,179,554</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, 2015

	<u>Computer Development Fund</u>
OPERATING REVENUES:	
Charges for Services	\$ 1,122,315
Illinois State Library	148,895
Member Library Reimbursement Revenue	375,014
Miscellaneous Income	6,247
Total Operating Revenues	<u>\$ 1,652,471</u>
OPERATING EXPENSES:	
Personnel Services	\$ 1,039,414
Contractual Services	251,223
Supplies and Materials	53,253
Member Library Reimbursement Expense	248,074
Depreciation	185,920
Total Operating Expenses	<u>\$ 1,777,884</u>
NET OPERATING INCOME (LOSS)	\$ (125,413)
OTHER INCOME (EXPENSE)	
Pension Expense	\$ (135,370)
Investment Income	310
Total Other Income (Expense)	<u>\$ (135,060)</u>
NET INCOME (LOSS)	\$ (260,473)
TRANSFERS IN	<u>300,000</u>
CHANGE IN NET POSITION	39,527
NET POSITION - BEGINNING OF YEAR (AS RESTATED)	<u>1,935,354</u>
NET POSITION - END OF YEAR	<u><u>\$ 1,974,881</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, 2015

	<u>Computer Development Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 1,685,364
Receipts from Interfund Services Provided	55,330
Payments to Vendors	(541,676)
Payments to Employees	(988,988)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 210,030</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Receipts from Grantors	
Operating Transfers From (To) Other Funds	\$ 300,000
(Increase) Decrease in Due from Other Funds	(56,700)
Increase (Decrease) in Due to Other Funds	(605,211)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>\$ (361,911)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment Income	<u>\$ 310</u>
NET INCREASE (DECREASE) IN CASH	(151,571)
CASH, BEGINNING OF YEAR	<u>1,302,998</u>
CASH, END OF YEAR	<u><u>\$ 1,151,427</u></u>
RECONCILIATION OF NET OPERATING INCOME TO NET	
CASH PROVIDED BY OPERATING ACTIVITIES:	
Net Operating Income (Loss)	\$ (125,413)
Adjustment to Reconcile Net Operating Income (Loss) to	
Net Cash Provided by (Used in) Operating Activities:	
Depreciation	\$ 185,920
(Increase) Decrease in Assets:	
Accounts Receivable	36,438
Prepaid Expenses	47,460
Increase (Decrease) in Liabilities:	
Accounts Payable	10,874
Deferred Inflows of Resources	4,325
Accrued Expenses	22,320
Compensated Absences Payable	28,106
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	<u><u>\$ 210,030</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, 2015

	<u>OCLC - Agency Fund</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 2,411,408
LIABILITIES	
Current Liabilities:	
Due To Other Agencies	<u>\$ 2,411,408</u>
NET POSITION	<u><u>\$ 0</u></u>

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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, automation (online catalog software), and talking book services to the libraries of southern and parts of central Illinois, as well as certain grant program services, such as the Catalog Maintenance Center and WebJunction Illinois, 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, 2015

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, 2015

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

Illinois Machine Sub-Lending Fund – Grants from the Illinois State Library finance this fund, which acts as the fiscal agent for the Talking Books program for the State of Illinois.

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

Growing SHARE Fund – A grant from the Illinois State Library finances this fund, which acts as the fiscal agent for the Growing Resource Sharing in the System through Growing SHARE Membership program.

Non-Major Special Revenue Funds

The System's non-major special revenue funds include: Plinkit Project Fund, OCLC Grant Fund, InfoEyes/SOS Fund, Marc of Quality Grant Fund, Cataloging Services 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, 2015

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, 2015 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, 2015, 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, 2015

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 two 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	30
Equipment and Other	7
Furniture and Fixtures	8
Computers	5
Vehicles	10

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. The System has one item that qualifies for reporting in this category, pension contributions made after measurement date.

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. The System has multiple items that qualify for reporting in this category, grant revenues, member subscriptions, and lost book funds. 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, 2015

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 \$84,732 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.

N. Reclassifications

Several account balances were reclassified for the year ended June 30, 2014, as previously reported. These reclassifications were required for the comparability to the current year's financial statements and must be considered when comparing the financial statements of this report with those of prior reports.

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. 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.

P. 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. 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 the 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) is the fund level. The budgetary expenditure comparisons in the basic financial statements are from the approved organizational budget for all funds except for the MARC of Quality and Growing SHARE Funds, which are derived from the grant budgets.

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 2. BUDGETS AND BUDGETARY BASIS OF ACCOUNTING (CONTINUED)

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.

NOTE 3. 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 \$863 at fiscal year end June 30, 2015.

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. Federal Grants

Proceeds from federal grants and the related expenditures have been included in the General Fund and the Illinois Machine Sub-Lending Fund. At June 30, 2015, expenditures exceeded or equaled revenues received from federal grants, resulting in a restricted fund balance of \$0.

2. State and Local Grants

Proceeds from state and local grants and the related expenditures have been included in the CMC Grant Fund, InfoEyes/SOS Fund, and SWAYS Fund. At June 30, 2015, revenue received exceeded expenditures disbursed from state and local grants, resulting in a restricted fund balance of \$5,236.

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 3. 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, 2015.

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 and Plinkit Project Fund showed assigned balances of \$1,439,683 and \$39,462, respectively, as of June 30, 2015.

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, Illinois Machine Sub-Lending Fund, and OCLC Grant Fund showed unassigned fund balances of \$5,206,101, (\$7,495), and (\$6,249), respectively, as of June 30, 2015.

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.

NOTE 4. CASH AND INVESTMENTS

Cash and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Cash and Cash Equivalents	<u>\$ 7,334,797</u>
Total	<u>\$ 7,334,797</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 4. CASH AND INVESTMENTS (CONTINUED)

Cash and cash equivalents include \$62 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 \$4,762,732 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. Of the System's cash and cash equivalents, \$2,491,162 was considered to be uninsured and uncollateralized.

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, 2015, was \$4,762,732. Investments are reported at fair market value.

NOTE 5. RECEIVABLES AND DEFERRED INFLOWS OF RESOURCES

At June 30, 2015, receivables and deferred inflows of resources were as follows for the governmental funds and governmental activities:

	<u>Receivables</u>	<u>Deferred Inflows of Resources</u>
State Grants:		
Illinois State Library	\$ 33,575	\$ 388,436
Other	5,091	234
Total	<u>\$ 38,666</u>	<u>\$ 388,670</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 5. RECEIVABLES AND DEFERRED INFLOWS OF RESOURCES (CONTINUED)

At June 30, 2015, receivables and deferred inflows of resources were as follows for the business-type activities and enterprise fund:

	<u>Receivables</u>	<u>Deferred Inflows of Resources</u>
Other	\$ 40,541	\$ 50,143
Total	<u>\$ 40,541</u>	<u>\$ 50,143</u>

NOTE 6. CAPITAL ASSETS

The following is a summary of the changes in capital assets of the governmental activities for the year ended June 30, 2015:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Not Being Depreciated:				
Land	\$ 411,667	\$ 0	\$ 0	\$ 411,667
Subtotal	<u>\$ 411,667</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 411,667</u>
Other Capital Assets:				
Automobiles	\$ 704,025	\$ 191,803		\$ 895,828
Buildings and Improvements	1,877,270	41,097		1,918,367
Equipment and Other	1,990,747	12,974		2,003,721
Furniture and Fixtures	391,590			391,590
Computers	<u>856,628</u>	<u>142,992</u>	\$ 0	<u>999,620</u>
Subtotal	<u>\$ 5,820,260</u>	<u>\$ 388,866</u>	<u>\$ 0</u>	<u>\$ 6,209,126</u>
Accumulated Depreciation:				
Automobiles	\$ 491,725	\$ 67,879		\$ 559,604
Buildings and Improvements	1,229,369	66,141		1,295,510
Equipment and Other	1,980,255	5,263		1,985,518
Furniture and Fixtures	391,590			391,590
Computers	<u>792,004</u>	<u>32,269</u>	\$ 0	<u>824,273</u>
Subtotal	<u>\$ 4,884,943</u>	<u>\$ 171,552</u>	<u>\$ 0</u>	<u>\$ 5,056,495</u>
Net Other Capital Assets	<u>\$ 935,317</u>	<u>\$ 217,314</u>	<u>\$ 0</u>	<u>\$ 1,152,631</u>
Net Capital Assets	<u>\$ 1,346,984</u>	<u>\$ 217,314</u>	<u>\$ 0</u>	<u>\$ 1,564,298</u>

Current year depreciation expense was charged to the following function:

General Library Services	<u>\$171,552</u>
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ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 6. CAPITAL ASSETS (CONTINUED)

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, 2015:

	<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>995,359</u>	\$ <u>0</u>	\$ <u>0</u>	<u>995,359</u>
Subtotal	<u>\$ 2,619,009</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,619,009</u>
Accumulated Depreciation:				
Equipment and Other	\$ 1,623,650			\$ 1,623,650
Computers	<u>367,106</u>	\$ <u>185,920</u>	\$ <u>0</u>	<u>553,026</u>
Subtotal	<u>\$ 1,990,756</u>	<u>\$ 185,920</u>	<u>\$ 0</u>	<u>\$ 2,176,676</u>
Net Capital Assets	<u>\$ 628,252</u>	<u>\$ (185,920)</u>	<u>\$ 0</u>	<u>\$ 442,333</u>

Current year depreciation expense was charged to the following function:

 Computer Development \$185,920

NOTE 7. 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, 2015:

	<u>June 30, 2014</u>	<u>Current Year Change</u>	<u>June 30, 2015</u>	<u>Due Within One Year</u>
Accrued				
Compensated Absences	<u>\$ 107,798</u>	<u>\$ 1,959</u>	<u>\$ 109,757</u>	<u>\$ 0</u>

In fiscal year 2015 and prior years, accrued compensated absences have been liquidated by all governmental funds that have salary expenditures.

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, 2015:

	<u>June 30, 2014</u>	<u>Current Year Change</u>	<u>June 30, 2015</u>	<u>Due Within One Year</u>
Accrued				
Compensated Absences	<u>\$ 63,447</u>	<u>\$ 28,106</u>	<u>\$ 91,553</u>	<u>\$ 0</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables at June 30, 2015, are summarized below:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental Funds:		
General Fund	\$ 743,963	
CMC Grant Fund		\$ 377
Growing SHARE Fund		464,483
Capital Projects Fund		270,959
OCLC Grant Fund		65,429
Proprietary Fund:		
Computer Development Fund	57,286	1
Total	<u>\$ 801,249</u>	<u>\$ 801,249</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, 2015, are summarized below:

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General Fund		\$ 300,000
CMC Grant Fund	\$ 24,892	
Cataloging Services Fund		24,892
Proprietary Fund:		
Computer Development Fund	300,000	
Total	<u>\$ 324,892</u>	<u>\$ 324,892</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 9. RISK OF LOSS

Significant losses are covered by commercial insurance for property, liability, and workers compensation. During the year ended June 30, 2015, 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 10. LEASES

The System leases office space and copiers under non-cancelable operating leases, expiring at various times between March 2015 and July 2018. 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, 2015

NOTE 10. LEASES (CONTINUED)

Fiscal Year Ending June 30,	
2016	\$ 67,669
2017	60,731
2018	60,731
2019	11,083
2020	4,129
Total	<u>\$ 204,343</u>

Total rental expense for operating leases for the year ended June 30, 2015, was \$65,853.

The System is also the lessor of office space under leases that ran through June 2015. Total lease revenue recorded in fiscal year 2015 was \$9,750.

NOTE 11. 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 12. CONCENTRATION OF REVENUE

For the year ended June 30, 2015, 72 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 13. 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, 2015, total charges for services revenue earned from these organizations was \$71,643.

NOTE 14. 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, 2015

NOTE 14. 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, 2014, the following employees were covered by the Plan:

Active Employees	43
Inactive employees or beneficiaries currently receiving benefits	218
Inactive employees entitled to but not yet receiving benefits	<u>103</u>
Total	<u>364</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 2014 was 21.57 percent. For the fiscal year ended June 30, 2015, the System contributed \$405,652 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, 2014, 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, 2014, 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, 2015

NOTE 14. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Cost Method	Entry Age Normal
Assets Valuation Method	Market Value of Assets
Inflation	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 2014). 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 2014). 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-2014 (base year 2014). 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, 2014 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, 2015

NOTE 14. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Class	Target Allocation	Return 12/31/2014	Projected Returns/Risk	
			One Year Arithmetic	Ten Year Geometric
Equities	38.00%	9.81%	9.15%	7.60%
International Equities	17.00%	-2.79%	9.80%	7.80%
Fixed Income	27.00%	5.93%	3.05%	3.00%
Real Estate	8.00%	12.66%	7.35%	6.15%
Alternatives	9.00%			
Private Equity		N/A	13.55%	8.50%
Hedge Funds		N/A	5.55%	5.25%
Commodities		N/A	4.40%	2.75%
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 3.56%, 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, 2014, were as follows:

	Total Pension Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance, December 31, 2013	\$ 28,956,169	\$ 30,511,243	\$ (1,555,074)
Changes for the year:			
Service Cost	235,054		235,054
Interest	2,109,609		2,109,609
Difference between expected and actual experience	139,024		139,024
Changes in assumptions	1,138,977		1,138,977
Contributions-employees		91,501	(91,501)
Contributions- employer		442,904	(442,904)
Net investment income		1,819,805	(1,819,805)
Benefit payments including refunds of employee Contributions	(1,891,157)	(1,891,157)	0
Other (Net Transfer)		329,556	(329,556)
Net Changes	1,731,507	792,609	938,898
Balance, December 31, 2014	\$ 30,687,676	\$ 31,303,852	\$ (616,176)

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 14. 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%	\$ 2,692,700
Current discount rate	7.50%	(616,176)
1% increase	8.50%	(3,381,254)

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, 2015, the System recognized pension expense of \$520,656. At June 30, 2015, 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	\$ 15,128	
Changes of assumptions	123,936	
Net difference between projected and actual earnings on Plan investments	344,014	
Contributions after Measurement Date	153,992	
Total	<u>\$ 637,070</u>	<u>\$ 0</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>	
2015	\$ 379,060
2016	86,004
2017	86,004
2018	86,002
2019	0
Thereafter	0
Total	<u>\$ 637,070</u>

Payable. At December 31, 2014, the System did not report any amount payable to IMRF.

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 15. DEFICIT FUND BALANCE

There was a deficit fund balances due to normal operations of (\$7,495) and (\$6,249) in the Illinois Machine Sub-Lending Fund and the OCLC Grant Fund respectively, for the fiscal year ended June 30, 2015.

NOTE 16. EXCESS OF EXPENDITURES OVER BUDGET

The General Fund, Illinois Machine Sub-Lending Fund, OCLC Grant Fund, Info Eyes/SOS Fund, and SWAYS Fund had excess expenditures over budget of \$2,799, \$9,512, \$37,127, \$300, and \$144, respectively, for the fiscal year ended June 30, 2015.

NOTE 17. PRIOR PERIOD ADJUSTMENT

During the current fiscal year, the System adopted Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*. This statement requires the System to change the accounting for the pension costs related to the Systems participation in the Illinois Municipal Retirement Fund (IMRF). For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial value, and attribute the present value to periods of employee service. The Statement also requires enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. In addition, the System will also be recognizing a net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to the System's proportionate share of the collective amounts in IMRF.

During the current fiscal year, the System identified an error in previously capitalized costs of the Governmental Activities. Two parcels of land were sold in the prior fiscal year, however, the value of the parcels of land were not removed from the final cost reported at year end. As a result, gain recorded on the sale was overstated.

The implementation of GASB Statement No. 68 and the effects of the error in previously capitalized costs had the following effect:

	Governmental Activities	Business-Type Activities
Net Position, June 30, 2014	\$ 7,828,515	\$ 1,474,139
Recognition of Net Pension Activity	1,312,687	461,215
Recognize Prior Sale of Land	(163,586)	
Restated Net Position, June 30, 2014	<u>\$ 8,977,616</u>	<u>\$ 1,935,354</u>

NOTE 18. 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
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>		<u>Actual</u>	<u>(Actual - Final Budget)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
State Grants:				
Area and Per Capita - State Allotment	\$ 2,704,678	\$ 2,740,978	\$ 2,740,978	
Area and Per Capita - Federal Pass Through	659,722	659,722	659,722	
Fees for Services and Material	7,200	7,200	318	\$ (6,882)
Reimbursements	139,249	139,249	91,850	(47,399)
Investment Income	360	360	912	552
Other Revenue	24,440	24,440	39,820	15,380
Total Revenues	<u>\$ 3,535,649</u>	<u>\$ 3,571,949</u>	<u>\$ 3,533,600</u>	<u>\$ (38,349)</u>
EXPENDITURES:				
Current:				
General Library Services:				
Personnel Service	\$ 2,141,872	\$ 1,972,243	\$ 1,991,901	\$ 19,658
Contractual Services	200,115	207,115	181,079	(26,036)
Supplies and Materials	587,330	620,251	458,205	(162,046)
Member Library Reimbursement Expense			10,800	10,800
Capital Outlay	45,000	45,000	205,423	160,423
Total Expenditures	<u>\$ 2,974,317</u>	<u>\$ 2,844,609</u>	<u>\$ 2,847,408</u>	<u>\$ 2,799</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>561,332</u>	<u>727,340</u>	<u>686,192</u>	<u>(41,148)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	\$ (300,000)	\$ (300,000)	\$ (300,000)	
Total Other Financing Sources (Uses)	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>	<u>\$ 0</u>
NET CHANGE IN FUND BALANCE	<u>\$ 261,332</u>	<u>\$ 427,340</u>	<u>386,192</u>	<u>\$ (41,148)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>4,820,772</u>	
FUND BALANCE - END OF YEAR			<u>\$ 5,206,964</u>	

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
ILLINOIS MACHINE SUB-LENDING FUND - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budget		Actual	Variance (Actual - Final Budget)
	Original	Final		
REVENUES:				
State Grants:				
Illinois State Library	\$ 290,187	\$ 290,187	\$ 327,409	\$ 37,222
Other Revenue			401	401
Total Revenues	<u>\$ 290,187</u>	<u>\$ 290,187</u>	<u>\$ 327,810</u>	<u>\$ 37,623</u>
EXPENDITURES:				
Current:				
General Library Services:				
Personnel Service	\$ 249,021	\$ 249,021	\$ 241,154	\$ (7,867)
Contractual Services	55,465	55,465	53,223	(2,242)
Supplies and Materials	28,032	28,032	47,653	19,621
Total Expenditures	<u>\$ 332,518</u>	<u>\$ 332,518</u>	<u>\$ 342,030</u>	<u>\$ 9,512</u>
NET CHANGE IN FUND BALANCE	<u>\$ (42,331)</u>	<u>\$ (42,331)</u>	(14,220)	<u>\$ 28,111</u>
FUND BALANCE - BEGINNING OF YEAR			<u>6,725</u>	
FUND BALANCE, (DEFICIT) - END OF YEAR			<u>\$ (7,495)</u>	

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CMC GRANT FUND - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budget		Actual	Variance (Actual - Final Budget)
	Original	Final		
REVENUES:				
State Grants:				
Illinois State Library	\$ 305,799	\$ 305,799	\$ 305,799	\$ 0
Total Revenues	\$ 305,799	\$ 305,799	\$ 305,799	\$ 0
EXPENDITURES:				
Current:				
General Library Services:				
Personnel Service	\$ 244,465	\$ 244,465	\$ 247,941	\$ 3,476
Contractual Services	66,723	66,723	61,954	(4,769)
Supplies and Materials	9,503	9,503	4,549	(4,954)
Capital Outlay	10,000	10,000	12,974	2,974
Total Expenditures	\$ 330,691	\$ 330,691	\$ 327,418	\$ (3,273)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(24,892)	(24,892)	(21,619)	3,273
OTHER FINANCING SOURCES				
Transfers In	\$ 0	\$ 0	\$ 24,892	\$ 24,892
NET CHANGE IN FUND BALANCE	\$ (24,892)	\$ (24,892)	3,273	\$ 28,165
FUND BALANCE BEGINNING OF YEAR			0	
FUND BALANCE - END OF YEAR			\$ 3,273	

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GROWINGSHARE FUND - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budget		Actual	Variance (Actual - Final Budget)
	Original	Final		
REVENUES:				
State Grants:				
Illinois State Library	\$ 905,127	\$ 905,127	\$ 516,480	\$ (388,647)
Reimbursements			9,392	9,392
Total Revenues	<u>\$ 905,127</u>	<u>\$ 905,127</u>	<u>\$ 525,872</u>	<u>\$ (379,255)</u>
EXPENDITURES:				
Current:				
General Library Services:				
Personnel Service	\$ 301,186	\$ 301,186	\$ 123,188	\$ (177,998)
Contractual Services	287,739	287,739	148,893	(138,846)
Supplies and Materials	215,992	215,992	137,164	(78,828)
Member Library Reimbursement Expense			19,793	19,793
Capital Outlay	100,000	100,000	96,834	(3,166)
Total Expenditures	<u>\$ 904,917</u>	<u>\$ 904,917</u>	<u>\$ 525,872</u>	<u>\$ (379,045)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 210</u>	<u>\$ 210</u>	0	<u>\$ (210)</u>
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 - CAPITAL PROJECT FUND
 FOR THE YEAR ENDED JUNE 30, 2015

	Budget		Actual	Variance (Actual - Final Budget)
	Original	Final		
REVENUES:				
Investment Income	\$ 360	\$ 360	\$ 3,111	\$ (2,751)
Total Revenues	\$ 360	\$ 360	\$ 3,111	\$ (2,751)
EXPENDITURES:				
General Library Services:				
Supplies and Materials				
Computer Supplies			\$ 304	\$ (304)
Capital Outlay	\$ 255,000	\$ 255,000	89,739	165,261
Total Expenditures	\$ 255,000	\$ 255,000	\$ 90,043	\$ 164,957
NET CHANGE IN FUND BALANCE	\$ (254,640)	\$ (254,640)	(86,932)	\$ (167,708)
FUND BALANCE - BEGINNING OF YEAR			1,526,615	
FUND BALANCE - END OF YEAR			\$ 1,439,683	

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,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total Pension Liability										
Service Cost	\$ 235,054									
Interest on the Total Pension Liability	2,109,609									
Benefit Changes	0									
Difference between Expected and Actual Experience	139,024									
Assumption Changes	1,138,977									
Benefit Payments and Refunds	(1,891,157)									
Net Change in Total Pension Liability	1,731,507									
Total Pension Liability - Beginning	28,956,169									
Total Pension Liability - Ending (a)	\$ 30,687,676									
Plan Fiduciary Net Position										
Employer Contributions	\$ 442,904									
Employee Contributions	91,501									
Pension Plan Net Investment Income	1,819,805									
Benefit Payments and Refunds	(1,891,157)									
Other	329,556									
Net Change in Plan Fiduciary Net Position	792,609									
Plan Fiduciary Net Position - Beginning	30,511,243									
Plan Fiduciary Net Position - Ending (b)	\$ 31,303,852									
Net Pension Liability/(Asset) -Ending (a)-(b)	(616,176)									
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	102.01%									
Covered Valuation Payroll	\$ 2,033,356									
Net Pension Liability as a Percentage of Covered Valuation Payroll	(30.30)%									

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	\$ 425,988	\$ 442,904	\$ (16,916)	\$2,033,356	21.78%

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
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2015

	Plinkit Project	OCLC Grant	InfoEyes/ SOS	Marc of Quality Grant	Cataloging Services	SWAYS	Total Non-Major Special Revenue Funds
ASSETS							
Cash and Cash Equivalents	\$ 38,767	\$ 31,077	\$ 402	\$ 8,200		\$ 1,561	\$ 80,007
Grant Receivable		33,575					33,575
Accounts Receivable	825						825
Total Assets	<u>\$ 39,592</u>	<u>\$ 64,652</u>	<u>\$ 402</u>	<u>\$ 8,200</u>	<u>\$ 0</u>	<u>\$ 1,561</u>	<u>\$ 114,407</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ 11	\$ 360					\$ 371
Grant Payable				\$ 8,200			8,200
Due to Other Funds		65,429					65,429
Accrued Expenses	119	5,112					5,231
Total Liabilities	<u>\$ 130</u>	<u>\$ 70,901</u>	<u>\$ 0</u>	<u>\$ 8,200</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 79,231</u>
Fund Balances:							
Restricted			\$ 402			\$ 1,561	\$ 1,963
Assigned	\$ 39,462						39,462
Unassigned		\$ (6,249)					(6,249)
Total Fund Balances	<u>\$ 39,462</u>	<u>\$ (6,249)</u>	<u>\$ 402</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,561</u>	<u>\$ 35,176</u>
Total Liabilities and Fund Balances	<u>\$ 39,592</u>	<u>\$ 64,652</u>	<u>\$ 402</u>	<u>\$ 8,200</u>	<u>\$ 0</u>	<u>\$ 1,561</u>	<u>\$ 114,407</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, 2015

	Plinkit Project	OCLC Grant	InfoEyes/ SOS	Marc of Quality Grant	Cataloging Services	SWAYS	Total Non-Major Special Revenue Funds
REVENUES:							
State Grants:							
Illinois State Library		\$ 64,448					\$ 64,448
Other			\$ 248				248
Fees for Services and Material	\$ 17,325						17,325
Other Revenue						\$ 540	540
Total Revenues	\$ 17,325	\$ 64,448	\$ 248	\$ 0	\$ 0	\$ 540	\$ 82,561
EXPENDITURES:							
General Library Services:							
Personnel Service	\$ 17,914	\$ 61,272					\$ 79,186
Contractual Services	5,000	4,904	\$ 300			\$ 144	10,348
Supplies and Materials	63	4,526					4,589
Total Expenditures	\$ 22,977	\$ 70,702	\$ 300	\$ 0	\$ 0	\$ 144	\$ 94,123
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,652)	(6,254)	(52)	0	0	396	(11,562)
OTHER FINANCING SOURCES (USES)							
Transfers-In (Out)					(24,892)		(24,892)
NET CHANGE IN FUND BALANCE	(5,652)	(6,254)	(52)	0	(24,892)	396	(36,454)
FUND BALANCE, BEGINNING OF YEAR	45,114	5	454	0	24,892	1,165	71,630
FUND BALANCE (DEFICIT), END OF YEAR	\$ 39,462	\$ (6,249)	\$ 402	\$ 0	\$ 0	\$ 1,561	\$ 35,176

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budget		
	Original	Final	Actual
REVENUES:			
State Grants:			
Area and Per Capita - State Allotment	\$ 2,704,678	\$ 2,740,978	\$ 2,740,978
Area and Per Capita - Federal Pass Through	659,722	659,722	659,722
Fees for Services and Material	7,200	7,200	318
Reimbursements	139,249	139,249	91,850
Investment Income	360	360	912
Other Revenue	24,440	24,440	39,820
Total Revenues	<u>\$ 3,535,649</u>	<u>\$ 3,571,949</u>	<u>\$ 3,533,600</u>
EXPENDITURES:			
General Library Services:			
Personnel			
Salaries and Wages	\$ 1,510,587	\$ 1,410,803	\$ 1,435,047
Payroll Taxes and Fringe Benefits	625,285	555,440	548,391
Recruiting	6,000	6,000	8,463
Contractual Services			
Contractual Agreements	7,700	7,700	7,281
Travel, Meetings, and Continuing Education for Staff and Board	35,110	35,110	18,636
Professional Services	55,000	55,000	89,893
Liability Insurance	9,750	16,750	14,233
Telephone and Telecommunications	53,244	53,244	27,187
Conferences and Continuing Education Meetings	19,811	19,811	14,577
Consulting	15,000	15,000	7,231
Professional Association Membership Dues	4,500	4,500	2,041
Supplies and Materials			
Computer Supplies	38,000	38,000	22,365
General Office Supplies and Equipment	19,340	19,340	14,349
Postage	2,000	2,000	1,849
Delivery Supplies	15,500	31,000	17,139
Buildings and Grounds	233,050	233,050	180,982
Vehicle Expenses	245,900	242,550	194,900
Miscellaneous	15,140	35,911	5,152
Equipment Rental, Repair, and Maintenance	18,400	18,400	21,469
Member Library Reimbursement Expense			10,800
Capital Outlay	45,000	45,000	205,423
Total Expenditures	<u>\$ 2,974,317</u>	<u>\$ 2,844,609</u>	<u>\$ 2,847,408</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>561,332</u>	<u>727,340</u>	<u>686,192</u>
OTHER FINANCING SOURCES (USES):			
Transfers Out	\$ (300,000)	\$ (300,000)	\$ (300,000)
Total Other Financing Sources (Uses)	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 261,332</u>	<u>\$ 427,340</u>	386,192
FUND BALANCE - BEGINNING OF YEAR			4,820,772
FUND BALANCE - END OF YEAR			<u>\$ 5,206,964</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
ILLINOIS MACHINE SUB-LENDING FUND - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budget		
	Original	Final	Actual
REVENUES:			
State Grants:			
Illinois State Library	\$ 290,187	\$ 290,187	\$ 327,409
Other Revenue			401
Total Revenues	<u>\$ 290,187</u>	<u>\$ 290,187</u>	<u>\$ 327,810</u>
EXPENDITURES:			
General Library Services:			
Personnel	\$ 249,021	\$ 249,021	\$ 241,154
Contractual Services			
Contractual Agreements	41,381	41,381	41,381
Travel, Meetings, and Continuing Education			
for Staff and Board	10,700	10,700	8,299
Professional Services			250
Telephone and Telecommunications	3,384	3,384	2,975
Conferences and Continuing Education Meetings			318
Supplies and Materials			
Computer Supplies	12,197	12,197	19,001
General Office Supplies and Equipment	13,935	13,935	26,413
Equipment Rental, Repair, and Maintenance	1,900	1,900	2,239
Total Expenditures	<u>\$ 332,518</u>	<u>\$ 332,518</u>	<u>\$ 342,030</u>
NET CHANGE IN FUND BALANCE	<u>\$ (42,331)</u>	<u>\$ (42,331)</u>	(14,220)
FUND BALANCE - BEGINNING OF YEAR			<u>6,725</u>
FUND BALANCE, (DEFICIT) - END OF YEAR			<u>\$ (7,495)</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, 2015

	Budget		
	Original	Final	Actual
REVENUES:			
State Grants:			
Illinois State Library	\$ 305,799	\$ 305,799	\$ 305,799
Total Revenues	<u>\$ 305,799</u>	<u>\$ 305,799</u>	<u>\$ 305,799</u>
EXPENDITURES:			
General Library Services:			
Personnel	\$ 244,465	\$ 244,465	\$ 247,941
Contractual Services			
Contractual Agreements	55,298	55,298	55,298
Travel, Meetings, and Continuing Education for Staff and Board	3,400	3,400	2,377
Professional Services	25	25	1,102
Telephone and Telecommunications	5,500	5,500	
Conferences and Continuing Education Meetings	2,500	2,500	3,177
Supplies and Materials			
Computer Supplies	9,127	9,127	4,374
Supplies, Postage and Printing	376	376	175
Capital Outlay	10,000	10,000	12,974
Total Expenditures	<u>\$ 330,691</u>	<u>\$ 330,691</u>	<u>\$ 327,418</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(24,892)	(24,892)	(21,619)
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>0</u>	<u>0</u>	<u>24,892</u>
NET CHANGE IN FUND BALANCE	<u>\$ (24,892)</u>	<u>\$ (24,892)</u>	3,273
FUND BALANCE - BEGINNING OF YEAR			<u>0</u>
FUND BALANCE - END OF YEAR			<u>\$ 3,273</u>

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, 2015

	Budget		Actual
	Original	Final	
REVENUES:			
State Grants:			
Illinois State Library	\$ 905,127	\$ 905,127	\$ 516,480
Member Library Reimbursement Revenue			9,392
Total Revenues	<u>\$ 905,127</u>	<u>\$ 905,127</u>	<u>\$ 525,872</u>
EXPENDITURES:			
General Library Services:			
Personnel	\$ 301,186	\$ 301,186	\$ 123,188
Contractual Services			
Contractual Agreements	272,349	272,349	135,367
Travel, Meetings, and Continuing Education for Staff and Board	15,390	15,390	13,526
Supplies and Materials			
Computer Supplies			137,131
Supplies, Postage and Printing	215,992	215,992	33
Member Library Reimbursement Expense			19,793
Capital Outlay	100,000	100,000	96,834
Total Expenditures	<u>\$ 904,917</u>	<u>\$ 904,917</u>	<u>\$ 525,872</u>
NET CHANGE IN FUND BALANCE	<u>\$ 210</u>	<u>\$ 210</u>	0
FUND BALANCE - BEGINNING OF YEAR			0
FUND BALANCE - END OF YEAR			<u>\$ 0</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
PLINKIT PROJECT FUND - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budget		Actual
	Original	Final	
REVENUES:			
Fees for Services and Material	\$ 14,438	\$ 14,438	\$ 17,325
Total Revenues	<u>\$ 14,438</u>	<u>\$ 14,438</u>	<u>\$ 17,325</u>
EXPENDITURES:			
General Library Services:			
Personnel	\$ 16,882	\$ 16,882	\$ 17,914
Contractual Services			
Contractual Agreements	22,000	22,000	5,000
Supplies and Materials			
Supplies, Postage and Printing	100	100	63
Total Expenditures	<u>\$ 38,982</u>	<u>\$ 38,982</u>	<u>\$ 22,977</u>
NET CHANGE IN FUND BALANCE	<u>\$ (24,544)</u>	<u>\$ (24,544)</u>	(5,652)
FUND BALANCE - BEGINNING OF YEAR			<u>45,114</u>
FUND BALANCE - END OF YEAR			<u>\$ 39,462</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, 2015

	Budget		Actual
	Original	Final	
REVENUES:			
State Grants:			
Illinois State Library	\$ 33,575	\$ 33,575	\$ 64,448
Total Revenues	<u>\$ 33,575</u>	<u>\$ 33,575</u>	<u>\$ 64,448</u>
EXPENDITURES:			
General Library Services:			
Personnel	\$ 26,853	\$ 26,853	\$ 61,272
Contractual Services			
Contractual Agreements	3,053	3,053	3,053
Professional Services	247	247	1,851
Supplies and Materials			
Computer Supplies	2,079	2,079	2,078
Equipment Rental, Repair, and Maintenance	327	327	327
Supplies, Postage and Printing	1,016	1,016	2,121
Total Expenditures	<u>\$ 33,575</u>	<u>\$ 33,575</u>	<u>\$ 70,702</u>
NET CHANGE IN FUND BALANCE	<u>\$ 0</u>	<u>\$ 0</u>	(6,254)
FUND BALANCE - BEGINNING OF YEAR			<u>5</u>
FUND BALANCE, (DEFICIT) - END OF YEAR			<u>\$ (6,249)</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
INFO EYES/SOS FUND - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budget		Actual
	Original	Final	
REVENUES:			
State Grants:			
Other			\$ 248
Other Revenue			
Total Revenues	\$ 0	\$ 0	\$ 248
EXPENDITURES:			
General Library Services:			
Contractual Services			
Conferences and Continuing Education Meetings			\$ 300
Total Expenditures	\$ 0	\$ 0	\$ 300
NET CHANGE IN FUND BALANCE	\$ 0	\$ 0	(52)
FUND BALANCE - BEGINNING OF YEAR			454
FUND BALANCE - END OF YEAR			\$ 402

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, 2015

	Budget		Actual
	Original	Final	
REVENUES:			
Other Revenue			
Total Revenues	\$ 0	\$ 0	\$ 0
EXPENDITURES:			
General Library Services:			
Total Expenditures	\$ 0	\$ 0	\$ 0
NET CHANGE IN FUND BALANCE	\$ 0	\$ 0	0
FUND BALANCE - BEGINNING OF YEAR			0
FUND BALANCE - END OF YEAR			\$ 0

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CATALOGING SERVICES FUND - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budget		
	Original	Final	Actual
REVENUES:			
Other Revenue			
Total Revenues	\$ 0	\$ 0	\$ 0
EXPENDITURES:			
General Library Services			
Total Expenditures	\$ 0	\$ 0	\$ 0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 0	\$ 0	\$ 0
OTHER FINANCING SOURCES (USES):			
Transfers Out			(24,892)
NET CHANGE IN FUND BALANCE	\$ 0	\$ 0	(24,892)
FUND BALANCE - BEGINNING OF YEAR			24,892
FUND BALANCE - END OF YEAR			\$ 0

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SWAYS FUND - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budget		Actual
	Original	Final	
REVENUES:			
Other Revenue			\$ 540
Total Revenues	\$ 0	\$ 0	\$ 540
EXPENDITURES:			
General Library Services:			
Contractual Services			
Conferences and Continuing Education Meetings			\$ 144
Total Expenditures	\$ 0	\$ 0	\$ 144
NET CHANGE IN FUND BALANCE	\$ 0	\$ 0	396
FUND BALANCE - BEGINNING OF YEAR			1,165
FUND BALANCE - END OF YEAR			\$ 1,561

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, 2015

	Budget		Actual
	Original	Final	
REVENUES:			
Investment Income	\$ 360	\$ 360	\$ 3,111
Total Revenues	<u>\$ 360</u>	<u>\$ 360</u>	<u>\$ 3,111</u>
EXPENDITURES:			
General Library Services:			
Supplies and Materials			
Computer Supplies			\$ 304
Capital Outlay	\$ 255,000	\$ 255,000	89,739
Total Expenditures	<u>\$ 255,000</u>	<u>\$ 255,000</u>	<u>\$ 90,043</u>
NET CHANGE IN FUND BALANCE	<u>\$ (254,640)</u>	<u>\$ (254,640)</u>	(86,932)
FUND BALANCE - BEGINNING OF YEAR			<u>1,526,615</u>
FUND BALANCE - END OF YEAR			<u>\$ 1,439,683</u>