



Illinois Heartland Library System

September 30, 2016

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

Dear Greg,

Attached is the Illinois Heartland Library System FY2016 Annual Report.

Thank you for the opportunity to highlight the accomplishments and challenges in FY2016 for our organization. It is a reminder that our staff and board are quite capable, talented and always rise to the occasion. At the end of the day our focus is on the ultimate end user—library patrons. May we never lose sight of what matters most in our work.

Please let me know if you require additional information.

Sincerely,

Leslie M. Bednar
Executive Director

cc: Sandy West
IHLS Board President



ILLINOIS HEARTLAND LIBRARY SYSTEM



FY2016

(JULY 2015-JUNE 2016)

ANNUAL REPORT

ILLINOIS STATE LIBRARY
FY2016 Library System Annual Report Cover Sheet
23 Ill. Adm. Code 3030.270 (Multitype System)

1. Narrative Report

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5.1 Delivery Report

Library System

Illinois Heartland

Signed:

Board President

Date Reviewed:

9-27-2016

Executive Director



Illinois Heartland Library System
FY2016 Library System Annual Report
23 Ill. Adm. Code 3030.270 (Multitype System)

1.1 FY2016 Narrative Report for the Illinois Heartland Library System

Achieving Stability in Uncertain Times: IHLS in FY2016

FY2016 witnessed the 50th year of library systems in Illinois. Throughout five decades of service to Illinois libraries and the patrons they serve, best practice examples provide guidance for merged services and cultures. However, some situations require a new approach to a constant challenge in the world of library systems—consistency in financial support. It is no longer appropriate or prudent to accept the status quo of funding available via the Library System Area and Per Capita Grant (SAPG). Of course, hindsight is a wonderful gift, and our vision is much improved with the fiscal year behind us.

We have learned much about our capacity for patience, thrift, and creativity in the last year. The Illinois budget impasse affected our organization by placing some programs on hold and reducing the size of others. Although it is not unusual to begin a fiscal year without an approved SAPG, it is most extraordinary to be apprised at the midpoint of the year's funding level—especially with funding reduced to 58% of the previous years' level. The extended period of funding uncertainty allowed IHLS to take an honest look at procedures and services both external and internal. When funding news arrived, we were able to respond with reluctant confidence, knowing the difficult decisions we made would preserve system services into the future.

In FY2016, IHLS provided core system services to support resource sharing in the state: automated catalog support via the SHARE (Sharing Heartland's Available Resources Equally) Consortium, delivery of library materials, support of Talking Book and Braille Services via the Illinois Machine Sublending Agency (IMSA) and interlibrary loan training and support. Each service provided to our 537 member library agencies is backed by administrative staff and functions to create the whole. Our organization is at its best when we find ways to provide more benefits to members with less funds. We are able to improve and enhance services (inside and out) when we focus on fundamentals, on basic elements of projects and services and scale to fit the need.

For IHLS, the simpler, the better. You will find examples of this innovative spirit in all areas of our organization. The inventive nature of our staff paired with a strong service instinct have served our members well and will continue as we move through FY2017 and beyond.

For ease of review, this report follows the IHLS revised FY2016 plan of service submitted March 29, 2016. As instructed by the Illinois State Library (ISL), the original plan of service was modified to reflect any parts of our operations impacted by the decrease in funding.



Administrative

Every project our organization is involved in is improved by communication. Our cross-departmental communications team reviews all general messages to members, newsletters (external and internal), meeting presentations and marketing materials. In FY2016, we launched a directors-only listserv for system members. In addition, IHLS staff developed and promoted a new vehicle for member engagement and networking—Members Matter meetings, with the first meeting held July 12, 2016.

Our “doing more with less” philosophy works in many situations but not all. The IHLS success story is due in large part to the creativity, knowledge and synergy of our staff. A significant decrease in funding for FY2016 yielded the unfortunate consequence of position eliminations and reduction in staff by attrition. In total, 9 full-time staff positions were eliminated in FY2016. Of these, 5 were directly related to grant funding which ceased at the end of the fiscal year. Additionally, one full-time opening was not filled. In an organization of our size (approximately 80 FTE) this is an appreciable difference. Our staff have reached a critical juncture where we can no longer take on additional projects without abandoning current ones.

Integral to nearly all of our endeavors is information technology (IT). Our IT staff employs cutting edge technology to support administrative, accounting, delivery and telecommunications functions, as well as the SHARE Consortium. In FY2016 they kept one eye on the benefit of improved equipment, services and supplies with the other eye on potential cost savings. The IT staff have integrated much of our day-to-day work into Office365. A great deal of this data is stored in the cloud, which makes backing up computers and all our communication quite a bit easier.

In addition to ongoing support, IT staff were instrumental in the development of a new feature in our delivery department. Our delivery team is eagerly embracing new technology for their routes in the form of iPads used to collect delivery-related data. Each morning, route information is downloaded to an iPad, which assists a driver along the route. At the end of a route, all data is transferred to the delivery database. As our delivery staff move forward utilizing technology, they have automated a task that formerly required many hours of manual input every day.

Our focus on membership support is a balancing act between administrative duties and engagement. A continual task is the refinement of membership lists and this year we focused on academic agencies with campuses in multiple locations, as well as the addition of two new school districts. In tandem with our colleagues at the ISL, our membership staff worked with libraries to ensure completion of the Interlibrary Loan Traffic Survey as part of the annual certification process. An analysis of survey results can yield quite a bit of information regarding resource sharing trends in Illinois.

The most significant improvement in this area is our increased ability to engage with membership. IHLS participated in more networking activities and met with special interest



groups this past fiscal year. Our ability to reach out to membership has been bolstered by the following language recently added to the Illinois Administrative Code Rules:

The system shall designate staff to provide consulting and continuing education assistance to member libraries in understanding and complying with applicable State statutes and administrative rules and with the system's bylaws, policies and plan of service.

23 Ill. Adm. Code 3030.270 (d) (1)

In keeping with the movement to streamline an already streamlined library system, the IHLS Accounting and Human Resources departments were combined near the end of the fiscal year. This action included a reduction in force, and realignment of duties.

Other notable accomplishments for FY2016 include:

- Submission of all required reports to the Illinois State Library on time
- Annual audit submitted with a clean report from the independent auditing firm
- FY2016 budget submitted, then reconfigured and resubmitted, as a result of the Illinois budget crisis
- Satisfactory completion of the first year using Abila accounting software
- Streamlined financial processes and procedures, based on significant data analysis
- Improved accounts receivable accounts and procedures
- All customer records updated

IHLS initiated a long range planning process in FY2015 with much of the member input completed by June 2015. The following month (July), IHLS board members and administrative staff met for two consecutive days to take the considerable feedback from focus groups and surveys and mold it into a mission, vision, values and goals that would serve the organization for the next several years. The draft language was shared with members to solicit feedback, and the plan was approved October 2015. Simply stated, our vision is:

Illinois Heartland Library System (IHLS) empowers libraries to embrace innovation and collaboration.

The mission reflects the same spirit:

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

The funding challenge we faced in FY2016 does not diminish the importance of an updated long-range plan. However, it does require IHLS to seriously consider its' focus during a period of reduced funding. We cannot develop activities to support all goals in the new plan with limited staffing resources and in a climate of fiscal instability. The beauty of the plan will



demonstrate itself in a few years when we are again able to address the many goals it encompassed.

Bibliographic Access

The priorities for cataloging staff continues to be providing services for SHARE member libraries, providing cataloging training, and maintaining the Cataloging Maintenance Center (CMC).

With an eye toward maintaining cataloging services to SHARE member libraries at an affordable rate, SHARE Bibliographic Services staff introduced a new level of cataloging service to member libraries, commonly known as the “\$3 bib”. The member library staff do the background work—find a bibliographic record in OCLC they believe matches the item in their hand—send all information about the item (author, title, copyright date, number of pages, ISBN number, and so on) and the matching OCLC record number to SHARE cataloging staff electronically. If the SHARE staff member agrees, the record is imported from an OCLC application to the SHARE database for the member library. In addition to saving money for member libraries, and SHARE staff time, it is not necessary to send the item to one of the IHLS offices, and member library staff learn more about cataloging and the importance of accurate database records.

SHARE Bibliographic Services staff have implemented online instruction and recorded video instruction to save time and travel for both SHARE staff and member library staff. Further research and planning are underway to expand this form of instruction.

In addition to original cataloging of local history and genealogy items sent to CMC catalogers by libraries from all parts of the state, CMC staff have spent countless hours transcribing and cataloging items from the Chicago Botanic Gardens, Illinois State Archives, Southern Illinois University Edwardsville, and the Meadville Lombard Theological Seminary Library for the Illinois Digital Archives. This work provides patrons across the state with information of an historical nature—filling a need for genealogical and historical research—that would otherwise be lost.

Resource Sharing

In FY2016 IHLS continued to grow its LLSAP (local library system automation program). With financial assistance from the Dream Grant, SHARE (Sharing Heartland’s Available Resources Equally), SHARE staff were able to assist 40 libraries through the process of going live on Polaris during FY2016, with 27 more working on barcoding their collections so they can go live during FY2017. An additional 10 libraries became full SHARE members during FY2015.

As a result of the significant growth in SHARE membership, member fees remained constant in FY2016 and FY2017.

A recent survey of SHARE members indicates that 97% are either satisfied or very satisfied with the consortium. Some of the comments offered about SHARE include:



- *Really enjoy all that share offers*
- *I appreciate all the small staff of SHARE does for our very large & diverse library community*
- *I like that when I call everyone seems friendly and helpful making me feel comfortable calling when I have questions or need help*
- *SHARE is an awesome resource for our small school library*
- *We need to seek public and private funding so we do not lose the great staff we have*
- *It is essential for me to have SHARE. I would not be automated or sharing resources without it*
- *The SHARE staff provide on-going support to us, and are continually working to improve offerings made to member libraries. I am impressed with the high level of dedication and enthusiasm the staff have, and appreciate all their efforts. The database functions smoothly 99.9999% of the time, which means I can focus on offering services to my patrons instead of trying to support a product. Thank you!*

We cannot mention Resource Sharing without highlighting eBooks! Starting with the eRead Illinois grant project, the Cloud Library consortium belonging to SHARE member libraries experienced significant growth during FY2016:

- We added 33 new libraries to the Cloud Library shared collection group in FY2016. The total number of library agencies now participating is 194 (153 public, 33 school, 5 academic, and 3 special library agencies).
- The total number of checkouts in July 2015 was 14,369. The total number of checkouts in July 2016 was 29,162. This is a 103% increase!
- Currently, we are circulating 1,000+ items per day, on average.
- Due to the transfer of content from two separate Overdrive Consortia in IHLS, the Cloud Library collection has more than tripled in size this year. It currently contains over 38,000 items.
- Over 6,000 patrons are actively using the Cloud Library each month now, and the number of new patrons signing in for the first time is still increasing each month on average.

SHARE is tech-y, and we ourselves sometimes forget how much new technology supports the consortium, not only from a social and practical standpoint, but also from a technical one. Here are some details incorporated within our structure:

- We maintain over 50 TeraBytes of disk space at our colocation space in Champaign. All our storage has fault tolerance so if a hard drive fails, it automatically alerts staff and continues functioning even with the failure.
- Clustered servers failover seamlessly in case of a hardware failure, assuring that even a server can be rebooted, or even crash, in the middle of the day and not affect a library's ability to connect to Polaris.



- 10-Gigabit backbone network connections. (This is the fastest you can get without going to fiber.)
- All accounts integrated with the Office365 Microsoft Exchange cloud service. While this could potentially allow us to provide all of the standard office suite to our libraries, we use it solely for authentication. This will allow many future benefits as we go forward.
- Our servers are getting smarter and smarter, as they alert staff when something is amiss. Using the latest version of Microsoft System Center, we monitor many different events across all our servers.
- We have the largest Polaris ILS (integrated library system) database in the world. No organization has more libraries and more settings than SHARE does. We are constantly pushing the limits of Polaris and its parent company (Innovative Interfaces Inc.) continues to meet our demanding requests.
- All calls that originate from the colocation to notify patrons of available holds on telephones, go across the Internet and we are not charged long distance.
- SHARE members connect to Polaris using state-of-the-art RemoteApp sessions. This allows members to connect using PC's, Macs, iPads, etc. even though Polaris technically only runs on a PC. The process of connecting to the RemoteApp software is a very complicated handshake that includes security, encryption, and compression of data.

Consulting and CE

The IHLS Staff conducted more than 122 site visits during FY2016 for reasons ranging from meeting with new library directors, to attending regional networking meetings and everything in-between. Each of these visits provide opportunities for making connections with our members and a “real time” glimpse of what is going on with our libraries. It also gives members a personal connection with staff that always enhances communication.

Our second annual Member Day was held in October at St. Anthony's Grade School in Effingham with at least 124 attendees. We were also pleased to host sessions in the spring on Autism Spectrum Disorder that attracted 27 attendees.

Whether conducting a SHARE training or attending a networking group, L2 tells us that IHLS staff can document at least 1,396 contact hours with our membership.

Delivery Services

With an eye to the future of the state of resource sharing where every patron deserves to have quick, efficient delivery no matter where they live, we began looking at our routes across the hubs. We realized, with the help of LASA (Laboratory of Applied Spatial Analysis, Southern Illinois University Edwardsville), we could challenge the status quo that it was impossible to provide functional 5-day a week service to our entire membership. What a wonderful surprise when LASA delivered their final report indicating not only was it possible, it was possible in an 8- to 9-hour day! LASA utilized our member data regarding locations and hub locations to



create routes that allow us to serve every member library, every day if necessary. LASA also included “filters” such as a 54-tub limit in our delivery fleet at any one time, and accounting for delivery daily to every library. Armed with their results, we set about creating that reality. We changed hub boundaries, shifted positions and set our eyes on a July 1, 2016 target date for implementation.

IHLS also began the process of implementing the use of iPads for all of the drivers’ paperwork. We save inputting hours daily with the utilization of iPads on delivery routes. The iPads will also “share” their data with our website to create our route lists online and as a result, those lists will always be up-to-date.

IHLS takes the Statewide Delivery Committee recommendations to heart. We recognize the effort and time that went into creating those recommendations as the foundation for forming standard delivery systems across the state. In FY2016 one recommendation we focused on was more access to our member libraries outside of the hours they are open. This is crucial for delivery to be able to run as efficiently as possible. Every minute, every stop, every load has to be done at the most efficient level possible. Everything counts toward cost. By having more access to libraries, delivery does not have to pause while someone is on their way to the library to open it, nor does delivery have to wait for the janitor to come from the other end of the building to let them in. We appreciate the cooperative spirit our members embrace regarding materials delivery.

To that end, we have an online form for libraries to fill out to alert us when they do not want delivery. Since we always have access, there might be times the library does not want us to deliver. The form alerts the correct hub manager when a library has requested no delivery. We have implemented the RAILS (Reaching Across Illinois Library System) delivery help desk ticketing system for our member libraries. This allows IHLS to be able to respond and have a written record of everything from an issue to a compliment from member libraries.

Another Statewide Delivery Committee recommendation was to implement CDPs (Community Delivery Partnerships). IHLS has been proactively promoting CDPs to our members. Recently we had a new CDP form between Vespasian Warner Public Library (Clinton) and the Clinton Unit School District #15. When the public library first approached the school about creating a partnership, Vespasian Warner Public Library learned the district did not have the means or staff to retrieve their items from the library. Vespasian Warner decided their staff member who picks up mail daily would simply deliver those items to the school. The school now receives delivery 5 days a week instead of their previous 2 days a week delivery. That is exactly what CDPs are about--sharing a drop point so that all can receive more delivery and allowing delivery to run more efficiently with less stops but more service.

Another large part of delivery was the decision to partner with RAILS (Reaching Across Illinois Library System) to submit a proposal for an RFP crafted by University of Illinois for administration by CARLI (Consortium of Academic and Research Libraries in Illinois) for the ILDS



(Illinois Library Delivery System) route which connects 141 academic library members and 2 library system hubs. IHLS realized that in the economic environment of Illinois, it would not be possible for us to sustain a delay in payment if we responded to the RFP alone. It made sense to partner with RAILS, in a sub-contractor role.

This prospect has afforded many learning opportunities. The foremost learning opportunity is how two library systems, with different cultures, work together for the good of libraries across the entire state. What does that look like? How are resources pooled and shared to accomplish the goal of delivering statewide? IHLS is thrilled to have the opportunity to provide delivery to all of our academic library members. It makes financial sense to have the ILDS stops handled by systems. The implementation date was the same as IHLS' implementation date for functional 5-day a week service--July 1, 2016.

Delivery in IHLS is alive and thriving even in these unstable economic times. So often innovation rises out of tough times, and we will continue to look at innovative methods to improve our delivery service to members.

IMSA (Illinois Machine Sublending Agency) Services

FY2016 was a challenging year for our IMSA project located in our Du Quoin office. The manager resigned in September 2015. The position was filled internally by the Patron Services Coordinator, who had been with the organization for a little over one year. While the department began the year with five full-time staff, because of budget uncertainty, they functioned through three-quarters of the year with only four staff members.

In January 2016, the IHLS board was notified full funding would be awarded in support of IMSA for FY2016, but that no funding would be forthcoming after that. Because IHLS could not afford to carry that program, the decision was made to move the program back to the Illinois State Library.

At that point, the IMSA staff had three areas of focus:

- Continuation of their work with the machines
- Planning and implementing the transition of the program to the Illinois State Library
- Readyng themselves for job seeking

The staff did a commendable job on the first two points and IHLS staff worked diligently to assist them with the third.

As is probably obvious, IMSA services were maintained under very stressful conditions, and was one of the forces that led the IHLS board to the development of a severance plan for any employee that would be leaving the system due to a reduction in force.



Conclusion

The opportunity to reflect on the past year is appreciated, even though our fifth year as an organization presented several challenges. If adversity builds character, our sixth year as a mega library system should be the best yet! Goals for FY2017 include a continued focus on engaging members in new spaces (electronic and in person), expanding resource sharing throughout our IHLS membership, rebranding the organization and supporting our board as it weaves itself into the fabric of the larger community. The last two goals may well define our future course: in developing partnerships with public and private organizations in our service area we will look beyond our current funding boundaries and new opportunities will appear.

ILLINOIS HEARTLAND LIBRARY SYSTEM

REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2016

ILLINOIS HEARTLAND LIBRARY SYSTEM

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ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON BARTELSON BETHALTO

September 6, 2016

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, 2016, 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, 2016, 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 40-44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2016, 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, 2016

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, 2016. 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 five decades. Following the enacting legislation in 1965 there were 18 Illinois library systems. Prior to the July 2011 IHLS merger, nine regional library systems remained in Illinois with the remaining five merged in July 2011 as well, 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 in the founding legislation is based on \$36.1543 per square mile and \$1.0401 per person. The demographic information from the 2010 Census is used to calculate the funding level, and indicates a total population served of 2,248,634, and a 28,368 square mile service area. Due to the Illinois budget impasse in FY2016, IHLS received a funding level of 58% of the original budgeted amount. Public Act 99-0491 appropriated \$1,989,670.98 to IHLS as compared to the anticipated \$3,364,429.41.

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 2015, 537 libraries of various types participated as members of the System: 35 academic, 227 public, 239 school districts and 36 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)

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

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 multi-type libraries developing partnerships and sharing resources in pursuit of excellent service.

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, 2016. The *Statement of Activities*, found on page 13, reflects the change in Net Position and FY2016 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 FY2016 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.

ILLINOIS HEARTLAND LIBRARY SYSTEM
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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 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 307 agencies (utilizing about 443 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 22-39 of this report.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

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 40-48.

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 49-60 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 \$10,244,778 at the close of FY2016.

The largest portion the IHLS's Net Position (75 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, 2016 and 2015

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and Other Assets	\$ 6.4	\$ 7.8	\$ 1.4	\$ 1.6	\$ 7.8	\$ 9.4
Capital Assets	1.5	1.6	0.3	0.4	1.8	2.0
Total Assets	<u>\$ 7.9</u>	<u>\$ 9.4</u>	<u>\$ 1.7</u>	<u>\$ 2.0</u>	<u>\$ 9.6</u>	<u>\$ 11.4</u>
Deferred Outflows of Resources	<u>\$ 1.6</u>	<u>\$ 0.5</u>	<u>\$ 0.6</u>	<u>\$ 0.2</u>	<u>\$ 2.2</u>	<u>\$ 0.7</u>
Current and Other Liabilities	\$ 0.2	\$ 0.3	\$ 0.1	\$ 0.1	\$ 0.3	\$ 0.4
Long-Term Liabilities	0.9	0.1	0.4	0.1	1.3	0.2
Total Liabilities	<u>\$ 1.1</u>	<u>\$ 0.4</u>	<u>\$ 0.5</u>	<u>\$ 0.2</u>	<u>\$ 1.6</u>	<u>\$ 0.6</u>
Deferred Inflows of Resources	<u>\$ 0</u>	<u>\$ 0.4</u>	<u>\$ 0</u>	<u>\$ 0.4</u>	<u>\$ 0</u>	<u>\$ 0.8</u>
Net Position						
Net Investment in Capital Assets	\$ 1.5	\$ 1.6	\$ 0.3	\$ 0.4	\$ 1.8	\$ 2.0
Restricted	0	0	0	0.7	0	0.7
Unrestricted	6.9	7.5	1.5	0.8	8.4	8.3
Total Net Position	<u>\$ 8.4</u>	<u>\$ 9.1</u>	<u>\$ 1.8</u>	<u>\$ 1.9</u>	<u>\$ 10.2</u>	<u>\$ 11.0</u>

Long-Term Liabilities represents the value of earned but unused vacation accumulated by employees, as well as, Net Pension Liability related to participation in the Illinois Municipal Retirement Fund, as of June 30, 2016. Restricted Assets are the remaining fund balances for the Illinois Machine Sub-Lending Program, the OCLC Grant, and

ILLINOIS HEARTLAND LIBRARY SYSTEM
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FOR THE YEAR ENDED JUNE 30, 2016

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.

The following table (in millions) is a summary of the Statement of Activities for the years ending June 30, 2016 and 2015:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program Revenues						
Charges for Services			\$ 1.5	\$ 1.5	\$ 1.5	\$ 1.5
Operating Grants and Contr.	\$ 3.2	\$ 4.6	0.1	0.1	3.3	4.7
General Revenues	0.1	0.2			0.1	0.2
Internal Activity - Transfers	(0.2)	(0.3)	0.2	0.3		
Total Revenues	<u>\$ 3.1</u>	<u>\$ 4.5</u>	<u>\$ 1.8</u>	<u>\$ 1.9</u>	<u>\$ 4.9</u>	<u>\$ 6.4</u>
Expenses:						
General Library Services	\$ 3.8	\$ 4.4			\$ 3.8	\$ 4.4
Computer Development			\$ 1.9	\$ 1.9	1.9	1.9
Total Expenses	<u>\$ 3.8</u>	<u>\$ 4.4</u>	<u>\$ 1.9</u>	<u>\$ 1.9</u>	<u>\$ 5.7</u>	<u>\$ 6.3</u>
Change in Net Position	\$ (0.7)	\$ 0.1	\$ (0.1)	\$ 0	\$ (0.8)	\$ 0.1
Beginning Net Position	9.1	9.0	1.9	1.9	11.0	10.9
Ending Net Position	<u>\$ 8.4</u>	<u>\$ 9.1</u>	<u>\$ 1.8</u>	<u>\$ 1.9</u>	<u>\$ 10.2</u>	<u>\$ 11.0</u>

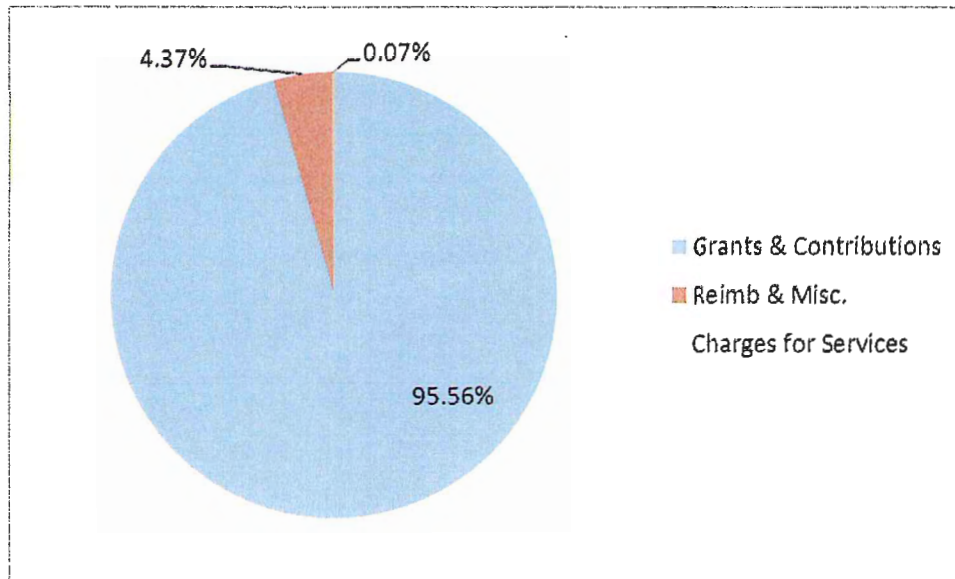
This Statement reflects a change in Net Position of \$(789,647). This is a 7.2% decrease. The decrease in the current can be attributed to one main factor. Due to State budget issues, IHLS's allotment for its Area & Per Capita Grant decreased approximately \$1.4 million from the prior year, which represented a 41% decrease. Overall revenues were down 31% from the prior year.

ILLINOIS HEARTLAND LIBRARY SYSTEM
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FOR THE YEAR ENDED JUNE 30, 2016

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, 2016, the System's governmental funds reported a combined ending fund balance of \$6,213,127.

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

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	\$ 3,364,429	\$ 1,989,671	\$ 1,989,671
Investment income	360	360	5,006
Miscellaneous	112,249	112,249	105,306
Total Revenues	\$ 3,477,038	\$ 2,102,280	\$ 2,099,983
Expenditures:			
Personnel	\$ 2,027,672	\$ 1,820,344	\$ 1,746,075
Other Operating Expenditures	740,653	674,561	535,626
Capital Outlays			394
Total Expenditures	\$ 2,768,325	\$ 2,494,905	\$ 2,282,095
Excess of Revenue Over (Under)			
Expenditures			
Transfers In (Out)	\$ (350,000)	\$ (200,000)	\$ (202,034)
Proceeds from Disposal of Fixed Assets			11,995
Net Change in Fund Balance	\$ 358,713	\$ (592,625)	\$ (372,151)

The IHLS developed a budget based on the priority areas identified by the Illinois State Library and the FY2016 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 a decrease in the allocation of System Area & Per Capita Grant funds to be received from the State.

Illinois Machine Sub-lending Agency Fund

The Illinois budget impasse had a direct impact on the *Illinois Machine Sub-lending Agency Fund* (IMSA) in FY2016. IHLS began the fiscal year with no guarantee of funding support for the project, so to limit exposure, took a conservative approach until funding information was available. An open position remained unfilled in the project, and duties were redistributed among current employees. In January 2016, IHLS was informed of funding availability and future plans for the project statewide. FY2016 was the last year grant funding was made available to support Talking Book and Braille Services outside of the Illinois State Library, with all future projects under the direct supervision of state library staff. As a result, four IHLS staff members funded by the IMSA project were laid off effective June 30, 2016.

Cataloging Maintenance Center

In the *Cataloging Maintenance Center Grant* project, IHLS saw a slight increase in staffing to support metadata projects statewide. The additional staff worked directly with digitization grants issued by the Illinois State Library.

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Growing Resource Sharing in IHLS by Growing Membership in SHARE

FY2016 marked the last full year of the Growing Resource Sharing in IHLS by Growing Membership in SHARE grant, also referred to as the Dream Grant. The project spanned 9 fiscal quarters. Project goals included an increase in SHARE membership, increased resource sharing in central and southern Illinois, fee stability for member libraries, and some peripheral equipment purchases. In total, the grant supported 77 additional libraries joining the consortium. In addition, fund revenues increased and the additional new members will bring further financial support to the project in subsequent years.

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, 2016 and 2015:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 411.6	\$ 411.6			\$ 411.6	\$ 411.6
Buildings & Improvements	574.2	622.9			574.2	622.9
Equipment & Other	12.0	18.2			12.0	18.2
Furniture & Fixtures	0	0			0	0
Computers	162.2	175.3	\$ 302.6	\$ 442.3	464.8	617.6
Vehicles	343.7	336.2			343.7	336.2
Total Assets	<u>\$ 1,503.7</u>	<u>\$ 1,564.2</u>	<u>\$ 302.6</u>	<u>\$ 442.3</u>	<u>\$ 1,806.3</u>	<u>\$ 2,006.5</u>

Capital Assets for the System include the purchases of items with a minimum per unit cost of \$5,000. During the current fiscal year five delivery vehicles were purchased, the parking lot was repaved, and new computers and computer software was purchased for a total of \$198,015.

Discussions of Currently Known Facts, Decisions, or Conditions

The development of the FY2016 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 307 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 FY2016 was \$1,989,671. At the end of the fiscal year, Illinois Heartland Library System received all allocated funds for FY2016 within the year.

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

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 FY2016, SHARE staff added additional features to the software platform to better serve the needs of member libraries. The addition of 77 member libraries to the consortium via the Dream Grant significantly improved resource sharing outcomes in the IHLS service area. The SHARE membership continues to contribute annually to a reserve fund in anticipation of a new software platform and hardware replacement in several years.

A more prudent business practices framework will continue to guide policies and financial decisions, providing a more sustainable model. As IHLS moves into FY2017, 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, 2016

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 6,350,254	\$ 1,275,651	\$ 7,625,905
Due from Other Funds	10,575	(10,575)	0
Accounts Receivable	408	33,666	34,074
Prepaid Expenses	25,593	154,510	180,103
Total Current Assets	<u>\$ 6,386,830</u>	<u>\$ 1,453,252</u>	<u>\$ 7,840,082</u>
Capital Assets:			
Not Being Depreciated	\$ 411,667		\$ 411,667
Being Depreciated -			
Net of Accumulated Depreciation	<u>1,092,308</u>	<u>\$ 302,597</u>	<u>1,394,905</u>
Total Assets	<u>\$ 7,890,805</u>	<u>\$ 1,755,849</u>	<u>\$ 9,646,654</u>
Deferred Outflows of Resources:			
Deferred Outflows from Pension Contributions	\$ 1,585,611	\$ 620,726	\$ 2,206,337
Total Deferred Outflows of Resources	<u>\$ 1,585,611</u>	<u>\$ 620,726</u>	<u>\$ 2,206,337</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 9,476,416</u>	<u>\$ 2,376,575</u>	<u>\$ 11,852,991</u>
<u>LIABILITIES AND NET POSITION</u>			
Current Liabilities:			
Accounts Payable	\$ 38,132	\$ 35,628	\$ 73,760
Grants Payable	8,200		8,200
Accrued Expenses	127,371	69,929	197,300
Total Current Liabilities	<u>\$ 173,703</u>	<u>\$ 105,557</u>	<u>\$ 279,260</u>
Long-Term Liabilities:			
Net Pension Liability	\$ 782,747	\$ 345,749	\$ 1,128,496
Compensated Absences Payable	113,166	87,291	200,457
Total Liabilities	<u>\$ 1,069,616</u>	<u>\$ 538,597</u>	<u>\$ 1,608,213</u>
Net Position:			
Net Investment in Capital Assets	\$ 1,503,975	\$ 302,597	\$ 1,806,572
Restricted			
Grant Expenditures	6,880		6,880
Unrestricted	6,895,945	1,535,381	8,431,326
Total Net Position	<u>\$ 8,406,800</u>	<u>\$ 1,837,978</u>	<u>\$ 10,244,778</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 9,476,416</u>	<u>\$ 2,376,575</u>	<u>\$ 11,852,991</u>

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)/Revenue</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General Library Services	\$ 3,835,178	\$ 2,403	\$ 3,232,291		\$ (600,484)		\$ (600,484)
Business-Type Activities:							
Computer Development	1,898,846	1,514,198	43,385			\$ (341,263)	(341,263)
	<u>\$ 5,734,024</u>	<u>\$ 1,516,601</u>	<u>\$ 3,275,676</u>	<u>\$ 0</u>	<u>\$ (600,484)</u>	<u>\$ (341,263)</u>	<u>\$ (941,747)</u>
General Revenues:							
Reimbursements					\$ 79,720		\$ 79,720
Investment Income					9,302	\$ 1,117	10,419
Miscellaneous					58,718	3,243	61,961
Internal Activity - Transfers					(200,000)	200,000	
Total General Revenues					<u>\$ (52,260)</u>	<u>\$ 204,360</u>	<u>\$ 152,100</u>
Change in Net Position					\$ (652,744)	\$ (136,903)	\$ (789,647)
Net Position - Beginning of Year					9,059,544	1,974,881	11,034,425
Net Position - End of Year					<u>\$ 8,406,800</u>	<u>\$ 1,837,978</u>	<u>\$ 10,244,778</u>

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	Major Funds					Non-Major	Total
	General	Illinois Machine	CMC	Growing	Capital	Governmental	Governmental
	Fund	Sub-Lending	Grant	SHARE	Projects	Funds	Funds
	Fund	Fund	Fund	Fund	Fund		
ASSETS:							
Cash and Cash Equivalents	\$ 4,906,569	\$ 27,908	\$ 37,728	\$ (2,687)	\$ 1,335,326	\$ 45,410	\$ 6,350,254
Due from Other Funds	25,031		11	11,499			36,541
Accounts Receivable	109			299			408
Prepaid Expenses	25,594						25,594
Total Assets	<u>\$ 4,957,303</u>	<u>\$ 27,908</u>	<u>\$ 37,739</u>	<u>\$ 9,111</u>	<u>\$ 1,335,326</u>	<u>\$ 45,410</u>	<u>\$ 6,412,797</u>
LIABILITIES AND FUND BALANCE							
Liabilities:							
Accounts Payable	\$ 18,910	\$ 750	\$ 20,218	\$ 5,409		\$ 1,045	\$ 46,332
Due to Other Funds	636	25,031		300			25,967
Accrued Expenses	102,944	288	16,245	1,523		6,371	127,371
Total Liabilities	<u>\$ 122,490</u>	<u>\$ 26,069</u>	<u>\$ 36,463</u>	<u>\$ 7,232</u>	<u>\$ 0</u>	<u>\$ 7,416</u>	<u>\$ 199,670</u>
Fund Balances:							
Non-Spendable	\$ 25,594						\$ 25,594
Restricted		\$ 1,839	\$ 1,276	\$ 1,879		\$ 1,886	6,880
Assigned					\$ 1,335,326	41,464	1,376,790
Unassigned	4,809,219					(5,356)	4,803,863
Total Fund Balances	<u>\$ 4,834,813</u>	<u>\$ 1,839</u>	<u>\$ 1,276</u>	<u>\$ 1,879</u>	<u>\$ 1,335,326</u>	<u>\$ 37,994</u>	<u>6,213,127</u>
Total Liabilities and Fund Balances	<u>\$ 4,957,303</u>	<u>\$ 27,908</u>	<u>\$ 37,739</u>	<u>\$ 9,111</u>	<u>\$ 1,335,326</u>	<u>\$ 45,410</u>	<u>\$ 6,412,797</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, 2016

Total Fund Balance, Governmental Funds	\$ 6,213,127
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 \$1,353,470 accumulated depreciation	574,297
Equipment and Other, net of \$1,991,650 accumulated depreciation	12,071
Furniture and Fixtures, net of \$391,590 accumulated depreciation	0
Computers, net of \$867,263 accumulated depreciation	162,227
Automobiles, net of \$580,688 accumulated depreciation	<u>343,713</u>
Total	1,503,975
Net pension liability and deferred outflows related to pension liabilities are not due and receivable in the current period, therefore, are not reported in governmental funds.	802,864
Balance of Compensated Absences at June 30, 2016	<u>(113,166)</u>
Total Net Position of Governmental Activities	<u>\$ 8,406,800</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, 2016

	Major Fund					Non-Major	Total
	General	Illinois Machine	CMC	Growing	Capital	Governmental	Governmental
	Fund	Sub-Lending	Grant	SHARE	Projects	Funds	Funds
		Fund	Fund	Fund	Fund		
REVENUES:							
State Grants:							
Area and Per Capita - State Allotment	\$ 1,362,925						\$ 1,362,925
Area and Per Capita - Federal Pass Through	626,746						626,746
Illinois State Library		\$ 275,337	\$ 404,346	\$ 388,436		\$ 174,101	1,242,220
Other						400	400
Fees for Services and Material	318					2,085	2,403
Reimbursements	67,762			11,958			79,720
Investment Income	5,006				\$ 4,296		9,302
Other Revenue	37,226				20,917	575	58,718
Total Revenues	\$ 2,099,983	\$ 275,337	\$ 404,346	\$ 400,394	\$ 25,213	\$ 177,161	\$ 3,382,434
EXPENDITURES:							
Current:							
General Library Services:							
Personnel Service	\$ 1,746,075	\$ 225,130	\$ 297,672	\$ 154,700		\$ 112,648	\$ 2,536,225
Contractual Services	133,253	37,101	89,602	222,129		27,094	509,179
Supplies and Materials	402,055	3,771	19,069	20,882		6,764	452,541
Member Library Reimbursement Expense	318			804			1,122
Capital Outlay	394				\$ 129,570	29,870	159,834
Total Expenditures	\$ 2,282,095	\$ 266,002	\$ 406,343	\$ 398,515	\$ 129,570	\$ 176,376	\$ 3,658,901
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(182,112)	9,335	(1,997)	1,879	(104,357)	785	(276,467)
OTHER FINANCING SOURCES (USES):							
Transfers In (Out)	\$ (202,034)					\$ 2,034	\$ (200,000)
Proceeds from Disposal of Fixed Assets	11,995						11,995
Total Other Financing Sources (Uses)	\$ (190,039)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,034	\$ (188,005)
NET CHANGE IN FUND BALANCE	(372,151)	9,335	(1,997)	1,879	(104,357)	2,819	(464,472)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	5,206,964	(7,496)	3,273	0	1,439,683	35,175	6,677,599
FUND BALANCE - END OF YEAR	\$ 4,834,813	\$ 1,839	\$ 1,276	\$ 1,879	\$ 1,335,326	\$ 37,994	\$ 6,213,127

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, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ (464,472)
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures while Governmental Activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation expense exceeds capital outlay in the current period, including gains or losses on disposition of assets.	(60,325)
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	(3,409)
Changes in Net Pension Liability and deferred outflows related to pension liabilities are reported only in the Statement of Activities	(124,538)
Change in Net Position of Governmental Activities	<u>\$ (652,744)</u>

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2016

	<u>Computer Development Fund</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	
Current Assets:	
Cash and Cash Equivalents	\$ 1,275,651
Due from Other Funds	580
Accounts Receivable	33,666
Prepaid Expenses	154,510
Total Current Assets	<u>\$ 1,464,407</u>
Capital Assets:	
Depreciable Capital Assets	\$ 2,667,759
Accumulated Depreciation	<u>(2,365,162)</u>
Total Capital Assets	<u>302,597</u>
Total Assets	<u>\$ 1,767,004</u>
Deferred Outflows of Resources:	
Deferred Outflow from Pension Contribution	\$ 620,726
Total Deferred Outflows of Resources	<u>\$ 620,726</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 2,387,730</u></u>
LIABILITIES AND NET POSITION:	
Current Liabilities:	
Accounts Payable	\$ 35,628
Due to Other Funds	11,155
Accrued Expenses	69,929
Total Current Liabilities	<u>\$ 116,712</u>
Long-Term Liabilities:	
Net Pension Liability	\$ 345,749
Compensated Absences Payable	87,291
Total Liabilities	<u>\$ 549,752</u>
Net Position:	
Net Investment in Capital Assets	\$ 302,597
Unrestricted	1,535,381
Total Net Position	<u>\$ 1,837,978</u>
Total Liabilities and Net Position	<u><u>\$ 2,387,730</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, 2016

	<u>Computer Development Fund</u>
OPERATING REVENUES:	
Charges for Services	\$ 1,203,972
Illinois State Library	43,385
Member Library Reimbursement Revenue	310,226
Miscellaneous Income	3,243
Total Operating Revenues	<u>\$ 1,560,826</u>
OPERATING EXPENSES:	
Personnel Services	\$ 1,114,088
Contractual Services	181,156
Supplies and Materials	7,680
Member Library Reimbursement Expense	356,570
Pension Expense	50,867
Depreciation	188,485
Total Operating Expenses	<u>\$ 1,898,846</u>
NET OPERATING INCOME (LOSS)	\$ (338,020)
OTHER INCOME (EXPENSE)	
Investment Income	\$ 1,117
Total Other Income (Expense)	<u>\$ 1,117</u>
NET INCOME (LOSS)	\$ (336,903)
TRANSFERS IN	<u>200,000</u>
CHANGE IN NET POSITION	(136,903)
NET POSITION - BEGINNING OF YEAR	<u>1,974,881</u>
NET POSITION - END OF YEAR	<u><u>\$ 1,837,978</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, 2016

	<u>Computer Development Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 1,482,736
Receipts from Interfund Services Provided	42,435
Payments to Vendors	(520,652)
Payments to Employees	(1,100,523)
Net Cash Provided by (Used in) Operating Activities	<u>\$ (96,004)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Operating Transfers From (To) Other Funds	\$ 200,000
(Increase) Decrease in Due from Other Funds	56,707
Increase (Decrease) in Due to Other Funds	11,154
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>\$ 267,861</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Payments for Capital Acquisitions	\$ (48,750)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>\$ (48,750)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment Income	<u>\$ 1,117</u>
NET INCREASE (DECREASE) IN CASH	124,224
CASH, BEGINNING OF YEAR	<u>1,151,427</u>
CASH, END OF YEAR	<u><u>\$ 1,275,651</u></u>
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	
Net Operating Income (Loss)	\$ (338,020)
Adjustment to Reconcile Net Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	188,485
(Increase) Decrease in Assets:	
Accounts Receivable	6,875
Prepaid Expenses	7,613
Deferred Outflows of Resources	(455,088)
Increase (Decrease) in Liabilities:	
Accounts Payable	24,754
Deferred Inflows of Resources	(50,143)
Net Pension Liability	505,955
Accrued Expenses	17,827
Compensated Absences Payable	(4,262)
NET CASH PROVIDED (USED IN) BY OPERATING ACTIVITIES:	<u><u>\$ (96,004)</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, 2016

	<u>OCLC - Agency Fund</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 2,409,426
LIABILITIES	
Current Liabilities:	
Due To Other Agencies	<u>\$ 2,409,426</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, 2016

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 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, 2016

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, 2016

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, 2016

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, 2016 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, 2016, 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, 2016

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	5

The System has no intangible assets subject to capitalization.

I. Use of Restricted Resources

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

J. Deferred Outflows/Inflows of Resources

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

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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 \$67,762 of Reimbursements Revenue and Contractual Services Expenditures related to the allocation of Administrative and Facilities Costs from the General Fund to certain grant funds, as allowed by the applicable grant agreement. In the government-wide financial statements, this interfund activity has been eliminated.

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Compensated Absences

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

O. Estimates

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

NOTE 2. FUND BALANCE REPORTING

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

A. Nonspendable Fund Balance

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example inventories or prepaid amounts. The General Fund had nonspendable funds of \$25,594 at fiscal year end June 30, 2016.

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, 2016, revenue exceeded or equaled expenditures received from federal grants, resulting in a restricted fund balance of \$1,839.

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 2. FUND BALANCE REPORTING (CONTINUED)

1. State and Local Grants

Proceeds from state and local grants and the related expenditures have been included in the CMC Grant Fund, Growing Share Fund, InfoEyes/SOS Fund, and SWAYS Fund. At June 30, 2016, revenue received exceeded expenditures disbursed from state and local grants, resulting in a restricted fund balance of \$5,041.

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, 2016.

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 \$1,335,326 and \$41,464, respectively, as of June 30, 2016.

E. Unassigned Fund Balance

The unassigned fund balance classification is the residual classification for amounts in the General Operating Funds for amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund and OCLC Grant Fund showed unassigned fund balances of \$4,809,219, (\$5,356), respectively, as of June 30, 2016.

F. Expenditures of Fund Balance

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 3. CASH AND INVESTMENTS

Cash and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Cash and Cash Equivalents	<u>\$ 7,625,905</u>
Total	<u>\$ 7,625,905</u>

Cash and cash equivalents include \$8 of cash on hand.

A. Interest Rate Risk

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

B. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The credit risk of investments is addressed by the System's investment policy by limiting investments to instruments insured by the FDIC, issued by the U.S. Treasury, or the Illinois Funds portfolios overseen by the Treasurer of the State of Illinois. The System has \$3,503,260 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, \$2,856,291 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, 2016, was \$3,503,260. Investments are reported at cost which estimate fair value.

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 4. RECEIVABLES

At June 30, 2016, receivables and deferred inflows of resources were as follows for the governmental funds and governmental activities:

	<u>Receivables</u>
Other	\$ 408
Total	<u>\$ 408</u>

At June 30, 2016, receivables were as follows for the business-type activities and enterprise fund:

	<u>Receivables</u>
Other	\$ 33,666
Total	<u>\$ 33,666</u>

NOTE 5. CAPITAL ASSETS

The following is a summary of the changes in capital assets of the governmental activities for the year ended June 30, 2016:

	<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	\$ 895,828	\$ 109,995	\$ 81,422	\$ 924,401
Buildings and Improvements	1,918,367	9,400		1,927,767
Equipment and Other	2,003,721			2,003,721
Furniture and Fixtures	391,590			391,590
Computers	999,620	29,870		1,029,490
Subtotal	<u>\$ 6,209,126</u>	<u>\$ 149,265</u>	<u>\$ 81,422</u>	<u>\$ 6,276,969</u>
Accumulated Depreciation:				
Automobiles	\$ 559,604	\$ 90,998	\$ 69,914	\$ 580,688
Buildings and Improvements	1,295,510	57,960		1,353,470
Equipment and Other	1,985,518	6,132		1,991,650
Furniture and Fixtures	391,590			391,590
Computers	824,273	42,990		867,263
Subtotal	<u>\$ 5,056,495</u>	<u>\$ 198,080</u>	<u>\$ 69,914</u>	<u>\$ 5,184,661</u>
Net Other Capital Assets	<u>\$ 1,152,631</u>	<u>\$ (48,815)</u>	<u>\$ 11,508</u>	<u>\$ 1,092,308</u>
Net Capital Assets	<u>\$ 1,564,298</u>	<u>\$ (48,815)</u>	<u>\$ 11,508</u>	<u>\$ 1,503,975</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 5. CAPITAL ASSETS (CONTINUED)

Current year depreciation expense was charged to the following function:

General Library Services \$198,080

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, 2016:

	<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>	\$ 48,750	\$ 0	<u>1,044,109</u>
Subtotal	<u>\$ 2,619,009</u>	<u>\$ 48,750</u>	<u>\$ 0</u>	<u>\$ 2,667,759</u>
Accumulated Depreciation:				
Equipment and Other	\$ 1,623,650			\$ 1,623,650
Computers	<u>553,027</u>	\$ 188,485	\$ 0	<u>741,512</u>
Subtotal	<u>\$ 2,176,677</u>	<u>\$ 188,485</u>	<u>\$ 0</u>	<u>\$ 2,365,162</u>
Net Capital Assets	<u>\$ 442,332</u>	<u>\$ (139,735)</u>	<u>\$ 0</u>	<u>\$ 302,597</u>

Current year depreciation expense was charged to the following function:

Computer Development \$188,485

NOTE 6. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in the System's long-term liabilities of the governmental activities for the year ended June 30, 2016:

	<u>June 30, 2015</u>	<u>Current Year Change</u>	<u>June 30, 2016</u>	<u>Due Within One Year</u>
Accrued				
Compensated Absences	<u>\$ 109,757</u>	<u>\$ 3,409</u>	<u>\$ 113,166</u>	<u>\$ 0</u>

The following is a summary of changes in the System's long-term liabilities of the business-type activities and enterprise fund for the year ended June 30, 2016:

	<u>June 30, 2015</u>	<u>Current Year Change</u>	<u>June 30, 2016</u>	<u>Due Within One Year</u>
Accrued				
Compensated Absences	<u>\$ 91,553</u>	<u>\$ (4,262)</u>	<u>\$ 87,291</u>	<u>\$ 0</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables at June 30, 2016, are summarized below:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental Funds:		
General Fund	\$ 25,031	\$ 636
Illinois Machine Sub-Lending Fund		25,031
Growing SHARE Fund	11,499	300
CMC Grant Fund	12	
Proprietary Fund:		
Computer Development Fund	580	11,155
Total	<u>\$ 37,122</u>	<u>\$ 37,122</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, 2016, are summarized below:

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General Fund		\$ 202,034
OCLC Grant Fund	\$ 2,034	
Proprietary Fund:		
Computer Development Fund	200,000	
Total	<u>\$ 202,034</u>	<u>\$ 202,034</u>

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

NOTE 8. RISK OF LOSS

Significant losses are covered by commercial insurance for property, liability, and workers compensation. During the year ended June 30, 2016, there were no significant reductions in coverage. There have been no material settlement amounts that have exceeded insurance coverage or that have been uncovered by insurance in the past three years.

NOTE 9. LEASES

The System leases office space and copiers under non-cancelable operating leases, expiring at various times between 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, 2016

NOTE 9. LEASES (CONTINUED)

Fiscal Year Ending June 30,	
2017	\$ 60,731
2018	60,731
2019	11,083
2020	4,129
2021	0
Total	<u>\$ 136,674</u>

Total rental expense for operating leases for the year ended June 30, 2016, was \$61,788.

NOTE 10. COMMITMENTS AND CONTINGENCIES

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

NOTE 11. CONCENTRATION OF REVENUE

For the year ended June 30, 2016, 77 percent of the System's revenue was received through grants or allocations from the Illinois Secretary of State's Office through the Illinois State Library.

NOTE 12. RELATED PARTY TRANSACTIONS

The System's Board of Directors is comprised of representatives from its member organizations. Member organizations pay fees to the System for various services. For the year ended June 30, 2016, total charges for services revenue earned from these organizations was \$84,358.

NOTE 13. DEFINED BENEFIT PENSION PLAN

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

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 13. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

At December 31, 2015, the following employees were covered by the Plan:

Active Employees	47
Inactive employees or beneficiaries currently receiving benefits	225
Inactive employees entitled to but not yet receiving benefits	<u>101</u>
Total	<u>373</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 2015 was 14.49 percent. For the fiscal year ended June 30, 2016, the System contributed \$307,483 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, 2015, 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, 2015, 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, 2016

NOTE 13. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Cost Method	Entry Age Normal
Assets Valuation Method	Market Value of Assets
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, 2015 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, 2016

NOTE 13. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Class	Target Allocation	Return 12/31/2015	Projected Returns/Risk	
			One Year Arithmetic	Ten Year Geometric
Equities	38.00%	0.02%	8.85%	7.39%
International Equities	17.00%	-1.90%	9.55%	7.59%
Fixed Income	27.00%	-0.09%	3.05%	3.00%
Real Estate	8.00%	11.99%	7.20%	6.00%
Alternatives	9.00%			
Private Equity		N/A	13.15%	8.15%
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 3.57%, 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, 2015, were as follows:

	Total Pension Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance, December 31, 2014	\$ 30,687,677	\$ 31,303,852	\$ (616,175)
Changes for the year:			
Service Cost	208,201		208,201
Interest	2,234,972		2,234,972
Difference between expected and actual experience	616,002		616,002
Changes in assumptions	0		0
Contributions-employees		132,256	(132,256)
Contributions- employer		325,404	(325,404)
Net investment income		152,703	(152,703)
Benefit payments including refunds of employee Contributions	(1,984,300)	(1,984,300)	0
Other (Net Transfer)		704,141	(704,141)
Net Changes	1,074,875	(669,796)	1,744,671
Balance, December 31, 2015	\$ 31,762,552	\$ 30,634,056	\$ 1,128,496

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 13. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

	<u>Discount Rate</u>	<u>Net Pension Liability (Asset)</u>
1% decrease	6.50%	\$ 4,537,511
Current discount rate	7.50%	1,128,496
1% increase	8.50%	(1,721,555)

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, 2016, the System recognized pension expense of \$482,889. At June 30, 2016, 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	\$ 80,860	
Changes of assumptions	0	
Net difference between projected and actual earnings on Plan investments	1,989,404	
Contributions after Measurement Date	136,073	
Total	<u>\$ 2,206,337</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>
2016	\$ 735,785
2017	518,852
2018	518,850
2019	432,850
2020	0
Thereafter	0
Total	<u>\$2,206,337</u>

Payable. At December 31, 2015, 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, 2016

NOTE 14. DEFICIT FUND BALANCE

There was a deficit fund balances due to normal operations of (\$5,356) in the OCLC Grant Fund respectively, for the fiscal year ended June 30, 2016.

NOTE 15. EXCESS OF EXPENDITURES OVER BUDGET

The CMC Grant Fund, Plinkit Project Fund, OCLC Grant Fund, Info Eyes/SOS Fund, and SWAYS Fund had excess expenditures over budget of \$2,738, \$83, \$12,244, \$802, and \$250, respectively, for the fiscal year ended June 30, 2016.

NOTE 16. SUBSEQUENT EVENTS

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<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	\$ 2,737,683	\$ 1,362,925	\$ 1,362,925	
Area and Per Capita - Federal Pass Through	626,746	626,746	626,746	
Fees for Services and Material			318	\$ 318
Reimbursements	101,909	101,909	67,762	(34,147)
Investment Income	360	360	5,006	4,646
Other Revenue	10,340	10,340	37,226	26,886
Total Revenues	<u>\$ 3,477,038</u>	<u>\$ 2,102,280</u>	<u>\$ 2,099,983</u>	<u>\$ (2,297)</u>
EXPENDITURES:				
Current:				
General Library Services:				
Personnel Service	\$ 2,027,672	\$ 1,820,344	\$ 1,746,075	\$ (74,269)
Contractual Services	209,353	149,311	133,253	(16,058)
Supplies and Materials	531,300	525,250	402,055	(123,195)
Member Library Reimbursement Expense			318	318
Capital Outlay			394	394
Total Expenditures	<u>\$ 2,768,325</u>	<u>\$ 2,494,905</u>	<u>\$ 2,282,095</u>	<u>\$ (212,810)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>708,713</u>	<u>(392,625)</u>	<u>(182,112)</u>	<u>210,513</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	\$ (350,000)	\$ (200,000)	\$ (202,034)	\$ (2,034)
Proceeds from Disposal of Fixed Assets			11,995	11,995
Total Other Financing Sources (Uses)	<u>\$ (350,000)</u>	<u>\$ (200,000)</u>	<u>\$ (190,039)</u>	<u>\$ 9,961</u>
NET CHANGE IN FUND BALANCE	<u>\$ 358,713</u>	<u>\$ (592,625)</u>	<u>(372,151)</u>	<u>\$ 220,474</u>
FUND BALANCE - BEGINNING OF YEAR			<u>5,206,964</u>	
FUND BALANCE - END OF YEAR			<u>\$ 4,834,813</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, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance (Actual - Final Budget)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
State Grants:				
Illinois State Library	\$ 294,997	\$ 275,337	\$ 275,337	\$ 0
Total Revenues	<u>\$ 294,997</u>	<u>\$ 275,337</u>	<u>\$ 275,337</u>	<u>\$ 0</u>
EXPENDITURES:				
Current:				
General Library Services:				
Personnel Service	\$ 248,073	\$ 231,481	\$ 225,130	\$ (6,351)
Contractual Services	41,223	37,547	37,101	(446)
Supplies and Materials	5,701	6,309	3,771	(2,538)
Total Expenditures	<u>\$ 294,997</u>	<u>\$ 275,337</u>	<u>\$ 266,002</u>	<u>\$ (9,335)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 0</u>	<u>\$ 0</u>	9,335	<u>\$ 9,335</u>
FUND BALANCE, (DEFICIT) - BEGINNING OF YEAR			(7,496)	
FUND BALANCE - END OF YEAR			<u>\$ 1,839</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, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance (Actual - Final Budget)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
State Grants:				
Illinois State Library	\$ 404,346	\$ 404,346	\$ 404,346	\$ 0
Total Revenues	<u>\$ 404,346</u>	<u>\$ 404,346</u>	<u>\$ 404,346</u>	<u>\$ 0</u>
EXPENDITURES:				
Current:				
General Library Services:				
Personnel Service	\$ 303,520	\$ 302,254	\$ 297,672	\$ (4,582)
Contractual Services	97,826	98,351	89,602	(8,749)
Supplies and Materials	3,000	3,000	19,069	16,069
Total Expenditures	<u>\$ 404,346</u>	<u>\$ 403,605</u>	<u>\$ 406,343</u>	<u>\$ 2,738</u>
NET CHANGE IN FUND BALANCE	<u>\$ 0</u>	<u>\$ 741</u>	(1,997)	<u>\$ (2,738)</u>
FUND BALANCE BEGINNING OF YEAR			<u>3,273</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,276</u>	

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, 2016

	Budget		Actual	Variance (Actual - Final Budget)
	Original	Final		
REVENUES:				
State Grants:				
Illinois State Library	\$ 0	\$ 0	\$ 388,436	\$ 388,436
Reimbursements			11,958	11,958
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 400,394</u>	<u>\$ 400,394</u>
EXPENDITURES:				
Current:				
General Library Services:				
Personnel Service	\$ 150,992	\$ 149,505	\$ 154,700	\$ 5,195
Contractual Services	159,020	159,020	222,129	63,109
Supplies and Materials	98,356	98,356	20,882	(77,474)
Member Library Reimbursement Expense			804	804
Total Expenditures	<u>\$ 408,368</u>	<u>\$ 406,881</u>	<u>\$ 398,515</u>	<u>\$ (8,366)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (408,368)</u>	<u>\$ (406,881)</u>	1,879	<u>\$ 408,760</u>
FUND BALANCE - BEGINNING OF YEAR			<u>0</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,879</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, 2016

	Budget		Actual	Variance (Actual - Final Budget)
	Original	Final		
REVENUES:				
Investment Income	\$ 150	\$ 150	\$ 4,296	\$ (4,146)
Insurance Proceeds			20,917	(20,917)
Total Revenues	<u>\$ 150</u>	<u>\$ 150</u>	<u>\$ 25,213</u>	<u>\$ (25,063)</u>
EXPENDITURES:				
Capital Outlay	\$ 565,700	\$ 565,700	\$ 129,570	\$ 436,130
Total Expenditures	<u>\$ 565,700</u>	<u>\$ 565,700</u>	<u>\$ 129,570</u>	<u>\$ 436,130</u>
NET CHANGE IN FUND BALANCE	<u>\$ (565,550)</u>	<u>\$ (565,550)</u>	(104,357)	<u>\$ (461,193)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>1,439,683</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,335,326</u>	

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,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total Pension Liability										
Service Cost	\$ 208,201	\$ 235,054								
Interest on the Total Pension Liability	2,234,972	2,109,609								
Benefit Changes	0	0								
Difference between Expected and Actual Experience	616,002	139,024								
Assumption Changes	0	1,138,977								
Benefit Payments and Refunds	(1,984,300)	(1,891,157)								
Net Change in Total Pension Liability	1,074,875	1,731,507								
Total Pension Liability - Beginning	30,687,677	28,956,169								
Total Pension Liability - Ending (a)	\$ 31,762,552	\$ 30,687,676								
Plan Fiduciary Net Position										
Employer Contributions	\$ 325,404	\$ 442,904								
Employee Contributions	132,256	91,501								
Pension Plan Net Investment Income	152,703	1,819,805								
Benefit Payments and Refunds	(1,984,300)	(1,891,157)								
Other	704,141	329,556								
Net Change in Plan Fiduciary Net Position	(669,796)	792,609								
Plan Fiduciary Net Position - Beginning	31,303,852	30,511,243								
Plan Fiduciary Net Position - Ending (b)	\$ 30,634,056	\$ 31,303,852								
Net Pension Liability/(Asset) -Ending (a)-(b)	1,128,496	(616,176)								
Plan Fiduciary Net Position as a Percentage										
of Total Pension Liability	96.45%	102.01%								
Covered Valuation Payroll	\$ 2,245,715	\$ 1,892,045								
Net Pension Liability as a Percentage										
of Covered Valuation Payroll	(50.25)%	(32.57)%								

Notes to Schedule:

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS

LAST 10 CALENDAR YEARS

<u>Calendar Year</u> <u>Ending</u> <u>December 31,</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Valuation</u> <u>Payroll</u>	<u>Actual Contribution</u> <u>as a % of</u> <u>Covered Valuation Payroll</u>
2014	\$ 396,383	\$ 442,904	\$ (46,521)	\$ 1,892,045	23.41%
2015	325,404	325,404	0	2,245,715	14.49%

Notes to Schedule:

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE SCHEDULE OF CONTRIBUTIONS
SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS
USED IN THE CALCULATION OF THE 2015 CONTRIBUTION RATE

Valuation Date:

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

Methods and Assumptions Used to Determine 2015 Contribution Rates:

Actuarial Cost Method	Aggregate Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Non-Taxing bodies: 10-year rolling period. Taxing bodies (Regular, SLEP and ECO groups): 28-year closed period until remaining period reaches 15 years (then 15-year rolling period). Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 23 years for most employers (two employers were financed over 32 years).
Asset Valuation Method	5-Year smoothed market; 20% corridor
Wage Growth	4.00%
Price Inflation	3.00% - approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases	4.40% to 16.00% 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 2011 valuation pursuant to an experience study of the period 2008-2010.
Mortality	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projected scale AA. For men 120% of the table rates were used. For women 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Other Information:

Notes There were no benefit changes during the year.

*Based on Valuation Assumptions used in the December 31, 2013 actuarial valuation

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Budgets and Budgetary Basis of Accounting:

A. Budgetary Process

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

B. Legal Level of Budgetary Control

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

C. Amendments to the Budget

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

D. Budgetary Basis of Accounting

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

E. Encumbrances

Encumbrance accounting is not used by the System.

ILLINOIS HEARTLAND LIBRARY SYSTEM
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2016

	Plinkit Project	OCLC Grant	InfoEyes/ SOS	Marc of Quality Grant	SWAYS	Total Non-Major Special Revenue Funds
ASSETS						
Cash and Cash Equivalents	\$ 41,583	\$ 1,941	\$ 0	\$ 0	\$ 1,886	\$ 45,410
Total Assets	<u>\$ 41,583</u>	<u>\$ 1,941</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,886</u>	<u>\$ 45,410</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable		\$ 1,045				\$ 1,045
Accrued Expenses	\$ 119	6,252				6,371
Total Liabilities	<u>\$ 119</u>	<u>\$ 7,297</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,416</u>
Fund Balances:						
Restricted					\$ 1,886	\$ 1,886
Assigned	\$ 41,464					41,464
Unassigned		\$ (5,356)				(5,356)
Total Fund Balances	<u>\$ 41,464</u>	<u>\$ (5,356)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,886</u>	<u>\$ 37,994</u>
Total Liabilities and Fund Balances	<u>\$ 41,583</u>	<u>\$ 1,941</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,886</u>	<u>\$ 45,410</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, 2016

	Plinkit Project	OCLC Grant	InfoEyes/ SOS	Marc of Quality Grant	SWAYS	Total Non-Major Special Revenue Funds
REVENUES:						
State Grants:						
Illinois State Library		\$ 165,901		\$ 8,200		\$ 174,101
Other			\$ 400			400
Fees for Services and Material	\$ 2,085					2,085
Other Revenue					\$ 575	575
Total Revenues	<u>\$ 2,085</u>	<u>\$ 165,901</u>	<u>\$ 400</u>	<u>\$ 8,200</u>	<u>\$ 575</u>	<u>\$ 177,161</u>
EXPENDITURES:						
General Library Services:						
Personnel Service		\$ 112,648				\$ 112,648
Contractual Services		17,842	\$ 802	\$ 8,200	\$ 250	27,094
Supplies and Materials	\$ 83	6,681				6,764
Capital Outlay		29,870				29,870
Total Expenditures	<u>\$ 83</u>	<u>\$ 167,041</u>	<u>\$ 802</u>	<u>\$ 8,200</u>	<u>\$ 250</u>	<u>\$ 176,376</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,002	(1,140)	(402)	0	325	785
OTHER FINANCING SOURCES (USES)						
Transfers-In (Out)		2,034				2,034
NET CHANGE IN FUND BALANCE	2,002	894	(402)	0	325	2,819
FUND BALANCE, BEGINNING OF YEAR	39,462	(6,250)	402	0	1,561	35,175
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 41,464</u>	<u>\$ (5,356)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,886</u>	<u>\$ 37,994</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budget		Actual
	Original	Final	
REVENUES:			
State Grants:			
Area and Per Capita - State Allotment	\$ 2,737,683	\$ 1,362,925	\$ 1,362,925
Area and Per Capita - Federal Pass Through	626,746	626,746	626,746
Fees for Services and Material			318
Reimbursements	101,909	101,909	67,762
Investment Income	360	360	5006
Other Revenue	10,340	10,340	37,226
Total Revenues	<u>\$ 3,477,038</u>	<u>\$ 2,102,280</u>	<u>\$ 2,099,983</u>
EXPENDITURES:			
General Library Services:			
Personnel			
Salaries and Wages	\$ 1,502,363	\$ 1,364,915	\$ 1,335,958
Payroll Taxes and Fringe Benefits	522,309	452,429	407,270
Recruiting	3,000	3,000	2,847
Contractual Services			
Contractual Agreements	18,365	14,615	14,717
Travel, Meetings, and Continuing Education for Staff and Board	48,590	21,612	11,493
Professional Services	45,000	45,000	51,867
Liability Insurance	9,750	16,500	15,441
Telephone and Telecommunications	57,200	26,100	17,673
Conferences and Continuing Education Meetings	25,948	19,948	12,143
Consulting			5,750
Professional Association Membership Dues	4,500	4,500	2,499
Public Relations		1,036	1,670
Supplies and Materials			
Computer Supplies	34,000	34,000	19,525
General Office Supplies and Equipment	10,650	10,650	2,881
Postage	2,500	2,500	2,149
Delivery Supplies	15,500	15,500	8,325
Buildings and Grounds	189,050	187,000	182,290
Vehicle Expenses	236,500	232,500	159,411
Miscellaneous	3,500	3,500	5,116
Equipment Rental, Repair, and Maintenance	39,500	39,500	22,358
Library Materials	100	100	
Member Library Reimbursement Expense			318
Capital Outlay			394
Total Expenditures	<u>\$ 2,768,325</u>	<u>\$ 2,494,905</u>	<u>\$ 2,282,095</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>708,713</u>	<u>(392,625)</u>	<u>(182,112)</u>
OTHER FINANCING SOURCES (USES):			
Transfers Out	\$ (350,000)	\$ (200,000)	\$ (202,034)
Proceeds from Disposal of Fixed Assets			11,995
Total Other Financing Sources (Uses)	<u>\$ (350,000)</u>	<u>\$ (200,000)</u>	<u>\$ (190,039)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 358,713</u>	<u>\$ (592,625)</u>	<u>(372,151)</u>
FUND BALANCE - BEGINNING OF YEAR			5,206,964
FUND BALANCE - END OF YEAR			<u>\$ 4,834,813</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, 2016

	Budget		
	Original	Final	Actual
REVENUES:			
State Grants:			
Illinois State Library	\$ 294,997	\$ 275,337	\$ 275,337
Total Revenues	<u>\$ 294,997</u>	<u>\$ 275,337</u>	<u>\$ 275,337</u>
EXPENDITURES:			
General Library Services:			
Personnel	\$ 248,073	\$ 231,481	\$ 225,130
Contractual Services			
Contractual Agreements	26,818	30,531	31,277
Travel, Meetings, and Continuing Education			
for Staff and Board	12,020	3,000	774
Professional Services			924
Telephone and Telecommunications	2,385	4,016	3,710
Conferences and Continuing Education Meetings			416
Supplies and Materials			
Computer Supplies			208
General Office Supplies and Equipment	3,801	3,800	819
Equipment Rental, Repair, and Maintenance	1,900	2,509	2,744
Total Expenditures	<u>\$ 294,997</u>	<u>\$ 275,337</u>	<u>\$ 266,002</u>
NET CHANGE IN FUND BALANCE	<u>\$ 0</u>	<u>\$ 0</u>	9,335
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR			<u>(7,496)</u>
FUND BALANCE - END OF YEAR			<u>\$ 1,839</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, 2016

	Budget		
	Original	Final	Actual
REVENUES:			
State Grants:			
Illinois State Library	\$ 404,346	\$ 404,346	\$ 404,346
Total Revenues	<u>\$ 404,346</u>	<u>\$ 404,346</u>	<u>\$ 404,346</u>
EXPENDITURES:			
General Library Services:			
Personnel	\$ 303,520	\$ 302,254	\$ 297,672
Contractual Services			
Contractual Agreements	45,026	45,026	36,758
Travel, Meetings, and Continuing Education			
for Staff and Board	2,800	2,800	498
Professional Services	50,000	50,000	35,035
Telephone and Telecommunications		525	5,593
Conferences and Continuing Education Meetings			11,693
Professional Association Membership Dues			25
Supplies and Materials			
Computer Supplies			18,356
Supplies, Postage and Printing	3,000	3,000	713
Total Expenditures	<u>\$ 404,346</u>	<u>\$ 403,605</u>	<u>\$ 406,343</u>
NET CHANGE IN FUND BALANCE	<u>\$ 0</u>	<u>\$ 741</u>	(1,997)
FUND BALANCE - BEGINNING OF YEAR			<u>3,273</u>
FUND BALANCE - END OF YEAR			<u>\$ 1,276</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, 2016

	Budget		Actual
	Original	Final	
REVENUES:			
State Grants:			
Illinois State Library	\$ 0	\$ 0	\$ 388,436
Member Library Reimbursement Revenue			11,958
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 400,394</u>
EXPENDITURES:			
General Library Services:			
Personnel	\$ 150,992	\$ 149,505	\$ 154,700
Contractual Services			
Contractual Agreements	48,326	48,326	199,226
Travel, Meetings, and Continuing Education			
for Staff and Board	15,914	15,914	22,672
Professional Services	94,780	94,780	231
Supplies and Materials			
Computer Supplies			20,850
Supplies, Postage and Printing	98,356	98,356	32
Member Library Reimbursement Expense			804
Total Expenditures	<u>\$ 408,368</u>	<u>\$ 406,881</u>	<u>\$ 398,515</u>
NET CHANGE IN FUND BALANCE	<u>\$ (408,368)</u>	<u>\$ (406,881)</u>	1,879
FUND BALANCE - BEGINNING OF YEAR			<u>0</u>
FUND BALANCE - END OF YEAR			<u>\$ 1,879</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, 2016

	Budget		Actual
	Original	Final	
REVENUES:			
Miscellaneous	\$ 0	\$ 0	\$ 2,085
Total Revenues	\$ 0	\$ 0	\$ 2,085
EXPENDITURES:			
General Library Services:			
Supplies and Materials			
Miscellaneous	\$ 0	\$ 0	\$ 83
Total Expenditures	\$ 0	\$ 0	\$ 83
NET CHANGE IN FUND BALANCE	\$ 0	\$ 0	2,002
FUND BALANCE - BEGINNING OF YEAR			39,462
FUND BALANCE - END OF YEAR			\$ 41,464

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, 2016

	Budget		Actual
	Original	Final	
REVENUES:			
State Grants:			
Illinois State Library	\$ 155,271	\$ 155,271	\$ 165,901
Total Revenues	<u>\$ 155,271</u>	<u>\$ 155,271</u>	<u>\$ 165,901</u>
EXPENDITURES:			
General Library Services:			
Personnel	\$ 112,527	\$ 111,968	\$ 112,648
Contractual Services			
Contractual Agreements	24,746	24,746	15,082
Professional Services	10,000	10,000	1,834
Telephone & Telecommunication	960	1,045	926
Supplies and Materials			
Computer Supplies			640
Equipment Rental, Repair, and Maintenance	4,061	4,061	3,038
Supplies, Postage and Printing	2,977	2,977	3,003
Capital Outlay			29,870
Total Expenditures	<u>\$ 155,271</u>	<u>\$ 154,797</u>	<u>\$ 167,041</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 0	\$ 474	(1,140)
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>\$ 0</u>	<u>\$ 0</u>	<u>2,034</u>
NET CHANGE IN FUND BALANCE	<u>\$ 0</u>	<u>\$ 474</u>	894
FUND BALANCE - BEGINNING OF YEAR			<u>(6,250)</u>
FUND BALANCE, (DEFICIT) - END OF YEAR			<u>\$ (5,356)</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, 2016

	Budget		Actual
	Original	Final	
REVENUES:			
State Grants:			
Other			\$ 400
Other Revenue			
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 400</u>
EXPENDITURES:			
General Library Services:			
Contractual Services			
Miscellaneous			\$ 802
Total Expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 802</u>
NET CHANGE IN FUND BALANCE	<u>\$ 0</u>	<u>\$ 0</u>	(402)
FUND BALANCE - BEGINNING OF YEAR			<u>402</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
MARC OF QUALITY GRANT FUND - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SWAYS FUND - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budget		Actual
	Original	Final	
REVENUES:			
Other Revenue			\$ 575
Total Revenues	\$ 0	\$ 0	\$ 575
EXPENDITURES:			
General Library Services:			
Contractual Services			
Conferences and Continuing Education Meetings			\$ 250
Total Expenditures	\$ 0	\$ 0	\$ 250
NET CHANGE IN FUND BALANCE	\$ 0	\$ 0	325
FUND BALANCE - BEGINNING OF YEAR			1,561
FUND BALANCE - END OF YEAR			\$ 1,886

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, 2016

	Budget		Actual
	Original	Final	
REVENUES:			
Investment Income	\$ 150	\$ 150	\$ 4,296
Insurance Proceeds			20,917
Total Revenues	<u>\$ 150</u>	<u>\$ 150</u>	<u>\$ 25,213</u>
EXPENDITURES:			
Capital Outlay	<u>\$ 565,700</u>	<u>\$ 565,700</u>	<u>\$ 129,570</u>
Total Expenditures	<u>\$ 565,700</u>	<u>\$ 565,700</u>	<u>\$ 129,570</u>
NET CHANGE IN FUND BALANCE	<u>\$ (565,550)</u>	<u>\$ (565,550)</u>	(104,357)
FUND BALANCE - BEGINNING OF YEAR			<u>1,439,683</u>
FUND BALANCE - END OF YEAR			<u>\$ 1,335,326</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
REPORT OF FEDERAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2016

ILLINOIS HEARTLAND LIBRARY SYSTEM

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ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON BARTELSON BETHALTON

September 6, 2016

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

To the Board of Directors of
Illinois Heartland Library System

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Illinois Heartland Library System, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Illinois Heartland Library System's basic financial statements, and have issued our report thereon dated September 6, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. We consider item 2016-1 to be a significant deficiency.

Compliance and Other Matters

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

Illinois Heartland Library System's Response to Findings

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

Purpose of this Report

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



Alton, Illinois



ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON BARTELSO BETHALTO

September 6, 2016

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

To the Board of Directors of
Illinois Heartland Library System

Report on Compliance for Each Major Federal Program

We have audited Illinois Heartland Library System's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Illinois Heartland Library System's major federal programs for the year ended June 30, 2016. Illinois Heartland Library System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Illinois Heartland Library System complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Illinois Heartland Library System, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Illinois Heartland Library System's basic financial statements. We issued our report thereon dated September 6, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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


Alton, Illinois

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor Agency/Program Pass-Through Grantor Title/Grant Name	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
National Endowment for the Humanities			
Institute of Museum and Library Services Discretionary Awards			
Grants to States Program			
<i>Passed through the Illinois State Library</i>			
Operating Grant	45.310	N/A	\$ 626,746
Illinois Machine Sublending Agency Grant	45.310	N/A	275,337
Online Computer Library Center Grant	45.310	N/A	<u>10,630</u>
Total Expenditures of Federal Awards			<u><u>\$ 912,713</u></u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Illinois Heartland Library System under programs of the federal government for the year ended June 30, 2016. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Illinois Heartland Library System, it is not intended to and does not present the financial position, changes in net position, or cash flows of Illinois Heartland Library System.

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Noncash Assistance, Federal Insurance and Loans/Loan Guarantees

Illinois Heartland Library System did not receive any noncash assistance, federal guaranteed loans or federal insurance for any of its programs for the year ended June 30, 2016.

Subrecipient Monitoring

Illinois Heartland Library System did not pass through any of its federal funds to subrecipients during the year ended June 30, 2016.

Indirect Cost Rate

Illinois Heartland Library System elected to use the 10% de minimus cost rate.

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

A. SUMMARY OF AUDITOR'S RESULT

- 1) The auditor's report expresses an unmodified opinion on the basic financial statements of Illinois Heartland Library System.
- 2) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements of Illinois Heartland Library System. This significant deficiency is not considered to be a material weakness.
- 3) No instances of noncompliance material to the basic financial statements of Illinois Heartland Library System which would be required to be reported in accordance with *Governmental Auditing Standards* were disclosed during the audit.
- 4) No significant deficiencies or material weaknesses in internal control over major federal award programs were disclosed during the audit of the major federal award program of Illinois Heartland Library System.
- 5) The auditor's report on compliance for the major federal award program for Illinois Heartland Library System expresses an unmodified opinion on all major federal programs.
- 6) The audit did not disclose any instances required to be reported in accordance with 2 CFR section 200.516(a) relative to the major Federal programs.
- 7) The programs tested as a major program:

Institute of Museum and Library Services Discretionary Awards

Grants to State Program – CFDA # 45.310
- 8) The threshold used for distinguishing between Types A and B programs was \$750,000.
- 9) Illinois Heartland Library System does not qualify as a low risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 2016-1 – Internal Control over Financial Statements

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

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

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

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

B. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

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

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 2015-1 – Internal Control over Financial Statements

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

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

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

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

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

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



Illinois Heartland Library System
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2.2 System Member Fees and Revenue

The SHARE fund contains LLSAP user fees from member libraries in the following categories:

- SHARE LLSAP Full Member Fees	\$923,125
- SHARE LLSAP Transitional Member Fee	\$127,863
- SHARE Bibliographic Service Fee	\$114,553
- SHARE Acquisitions Module Fee	\$750
- SHARE Course Reserve Module Fee	\$300
- SHARE Debt Collection Integration Fee	\$1,500
- SHARE EDI Interface Fee	\$3,000
- SHARE Outreach Module Fee	\$1,500
- SHARE SIP2 License Fee	\$9,100
- SHARE Telephone Notification Fee	\$7,000
- Group Purchased Databases	\$220,616
- 3M Cloud E-book Consortium	\$53,638
- SHARE SAM Annual Maintenance	\$15,282
- ICN Filtering	\$470
- Dreamhost Expenses	\$318
- Dream Grant Equipment	\$803
- Library Law Books	\$1,148
	<hr/>
	\$1,480,966



Illinois Heartland Library System
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2.3 System Non-Member Fees and Revenue

Room Rental of Edwardsville location	\$4,275
Asset Surplus Proceeds	\$11,995
ERate Funding	\$21,787
Total:	<u>\$38,057</u>

ILLINET/OCLC Group Service Fees	\$4,223,338
ILLINET/OCLC Monthly Network Transactional Billing	\$493,405
Total:	<u>\$4,716,743</u>



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2.4 Capital Expenditures in Excess of \$5,000

Vehicles

2016 Ford Transit	\$21,999.00
2016 Ford Transit	\$21,999.00
2016 Ford Transit	\$21,999.00
2016 Ford Transit	\$21,999.00
2016 Ford Transit	\$21,999.00
	<hr/>
	\$109,995.00

Computers and Software

SIUE Hub Mapping Project	\$10,000.00
	<hr/>
	\$10,000.00

Building and Improvements

Edwardsville Parking Lot	\$9,575.00
	<hr/>
	\$9,575.00

Total Expenditures	\$129,570.00
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Illinois Heartland Library System
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2.5 Loans or Letters of Credit

As of June 30, 2016, there were no outstanding loans, letters of credit or grant anticipation warrants for Illinois Heartland Library System.

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

STATE OF ILLINOIS }
Madison County, SS.

Bond No. 601101773

KNOW ALL MEN BY THESE PRESENTS, That we, Sandra L. West

as principal, and The Ohio Casualty Insurance Company as Surety, are held and firmly bound, jointly and severally,
unto the Illinois Heartland Library System

6725 Goshen Road, Edwardsville, IL 62025

in said County or successors in office, in the penal sum of One Million Seven Hundred Fifty Thousand and no/cents *****
***** DOLLARS, (\$ 1,750,000.00), for the payment of which we

bind ourselves, our heirs, executors and administrators, firmly by these presents.

IN WITNESS WHEREOF, we have hereunto set our hands and seals, this 17th day of

February, A.D. 2016 This bond to be effective 2/12/16 to 6/30/16

THE CONDITION OF THIS OBLIGATION IS SUCH,

That if Sandra L. West

School Treasurer of Illinois Heartland Library System

in the county aforesaid,

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

Sandra L. West

Principal

The Ohio Casualty Insurance Company

By:

Jason A. Rausenberger

Attorney-in-fact

STATE OF ILLINOIS }

SS.

Madison County,

I,

hereby certify that Sandra L. West who is personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he signed, sealed and delivered said instrument as his free and voluntary act for the uses and purposes as therein set forth.

Given under my hand and seal, this day of ,

Approved and accepted by:

By:

President

By:

Secretary or Clerk

Approved,

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

STATE OF ILLINOIS

Madison

County,

SS.

Bond No. 601101773

KNOW ALL MEN BY THESE PRESENTS, That we, Sandra L. West

as principal, and The Ohio Casualty Insurance Company as Surety, are held and firmly bound, jointly and severally,
unto the Illinois Heartland Library System

6725 Goshen Road, Edwardsville, IL 62025

in said County or successors in office, in the penal sum of One Million Seven Hundred Fifty Thousand and no/cents

***** DOLLARS, (\$ 1,750,000.00), for the payment of which we

bind ourselves, our heirs, executors and administrators, firmly by these presents.

IN WITNESS WHEREOF, we have hereunto set our hands and seals, this

6th

day of

June

, A.D.

2016

This bond to be effective 6/30/16 to 6/30/17

THE CONDITION OF THIS OBLIGATION IS SUCH,

That if Sandra L. West

School Treasurer of Illinois Heartland Library System

in the county aforesaid,

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

Sandra L. West

Principal

The Ohio Casualty Insurance Company

By:

Jason A. Rausenberger

Attorney-in-fact

STATE OF ILLINOIS

Madison

County,

SS.

I,

hereby certify that

Sandra L. West

whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he signed, sealed and delivered said instrument as his free and lawful act for the uses and purposes as therein set forth.

Given under my hand and

Notary Public State of Illinois
My Commission Expires 09/24/2018

23rd

day of

June

2016

Approved and accepted by:

By:

President

By:

Secretary or Clerk

Approved,



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2.7: Assessment that the Board meets the Finances and Records responsibilities in 23 ILAC 3030.260

The Board of Directors of the Illinois Heartland Library System does have policies in place to meet compliance regulations with 23 ILAC 3030.260. Specific policies addressing Board finance and records responsibilities can be found:

<http://illinoisheartland.org/sites/default/files/Financial%20Policy.pdf>: IHLS Financial Policy
<http://illinoisheartland.org/sites/default/files/FinProcPolicy.pdf> IHLS Financial Procedures and Practices

In addition, the FY2016 financial and single audits are found at Section 2.1 of this annual report. And, the IHLS Board of Directors reviews financial statements and reports at each board meeting. You can access final board documents by selecting the following link and then selecting a specific month: <http://illinoisheartland.org/?q=about/board/board-meetings>

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3.1.1 Changes in System Membership

Agencies added as new full members:

December, 2015: IHLS Board action approved the applications of:

- Hoopeston Area CUSD #11
- Rantoul CSD #137

April, 2016: IHLS Board action approved the application of:

- Opdyke-Belle Rive CCSD #5

Agencies suspended:

April, 2016: IHLS Board action approved the suspension of:

- Brussels CUSD #42
- East Alton SD #13
- Pinckneyville CHSD #101
- Pontiac-William Holliday
- South Fork SD #14
- Department of Veterans Affairs Medical Center

Requests to withdraw:

April, 2016 IHLS Board accepted the requests to withdraw from the system from:

- Madison County Law Library
- Prairie Research Institute/University of Illinois
- Presence United Samaritan Hospital
- Presence Covenant Medical Center
- Althoff High School
- Metro-East Lutheran High School

Other Membership Activity

In FY16 the Illinois State Library worked with member libraries and IHLS to further streamline our membership lists:

- The records for St. Anthony High School and St. Anthony Grade School were merged.
- The Southern Illinois Law School became a “branch” of S.I.U.C
- The Illinois Fire Service Institute became a “branch” of U. of I.

Illinois Heartland Library System
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3.1.2 Summary of System Membership

	<u>FY16</u>	<u>FY 15</u>
Academic Libraries:	34	35
<ul style="list-style-type: none">• Merger of Southern Illinois University's Law School with Main Library Record		
Public Libraries	227	227
School Districts	234	239
<ul style="list-style-type: none">• Additions of Hoopeston Area CUSD #11, Rantoul CSD #137 and Opdyke-Belle Rive CCSD #5• Suspension of Brussels CUSD #42, East Alton SD #13, Pinckneyville CHSD #101, Pontiac-William Holliday SD #105, South Fork SD #14• Withdrawal of Althoff High School and Metro-East Lutheran High School• Merger of records for St. Anthony High School and St. Anthony Grade School		
Special Libraries	30	36
<ul style="list-style-type: none">• Suspension of the Department of Veterans Affairs Medical Center• Withdrawal of Madison County Law Library, Prairie Research Institute, Presence Covenant Medical Center, Presence United Samaritan Hospital• Merger of records for the Illinois Fire Service Institute with the University of Illinois.		
Total Members	525	537



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3.1.3 Continuing Education/Training

IHLS provided a total of 229 CE events during FY2016, for 2176 participants, who spent a total of 4843 contact hours in training activities. CE programs offered by IHLS included forums for discussion groups and interlibrary loan with OCLC. CE programs included those offered by SHARE (the local library automation program), and included training on all aspects of circulation and cataloging in Polaris, use of eResources and technology, and managing resource sharing in a large consortium. SHARE sponsored 180 events/programs/classes, with 520 contact hours, 1807 participants, and 3947 total CE hours.

Illinois Heartland Library System
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3.1.4 Delivery

Total Number of Items Transported	Average Number of Delivery Miles Traveled Per Week	Average Number of Direct Delivery Stops Per Week
7,982,657 Based on the agreed upon method of collecting data through the quarterly counts by ISL/RAILS/IHLS/CARLI	15,628 1,510 less miles than FY2015 We are having more CDPs (Community Delivery Partnerships)	1,049 We are having more CDPs (Community Delivery Partnerships)



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3.1.5 Member Site Visits

In FY16, at least 122 site visits were conducted by the staff of IHLS. Of those visits:

- 1 was to an Academic Library
- 94 were to Public Libraries
- 22 were to School Libraries
- 5 were to Special Libraries

The bulk of these visits focused on meeting new directors of public libraries and visiting with library directors and library boards to discuss the DREAM grant. Site visits were also conducted to assess compliance with membership standards and to participate in networking groups.



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3.1.6 Non-Resident Fee Participation

This is the URL for the listing of public libraries in IHLS with indication of whether they are or are not participants in the non-resident fee program.

<http://www.illinoisheartland.org/?q=members/non-resident-fee>



3.2.1 Staffing Worksheet

Title	Department	Hours Worked Per WK	Hourly Payrate	Annual Salary	Graduate Degree
Cataloging Assistant II	Technical Services	40.00		33,280.00	MLIS
Cataloger	Technical Services	40.00		44,678.40	MLS
Courier	Delivery	19.00	10.24		
Courier	Delivery	19.00	10.29		
Bibliographic Srvc Mgr	Technical Services	40.00		60,000.20	MLS/MA
Executive Director	General Administration	40.00		118,243.84	MLS
Courier	Delivery	19.00	10.34		
Bibliographic Proj Coord	Technical Services	40.00		50,000.08	MS
Courier	Delivery	19.00	11.00		
Cataloger	Technical Services	40.00		39,307.32	
IT Director	Information Technology	40.00		85,131.54	
Page/Sorter	Delivery	19.00	8.67		
Courier	Delivery	19.00	10.50		MS
Executive Assistant	General Administration	40.00		34,999.90	
Courier	Delivery	19.00	13.50		
Network Administrator	Information Technology	40.00		56,000.10	
Courier	Delivery	19.00	10.29		MA
Courier	Delivery	19.00	10.29		
Courier	Delivery	19.00	10.24		
SHARE Director	Resource Sharing	40.00		67,089.10	MS
A/P Coordinator	Accounting	40.00		37,440.00	
Courier	Delivery	19.00	13.00		
Courier	Delivery	19.00	13.50		
Mgr. of Admin Services	Resource Sharing	40.00		60,797.88	
Courier	Delivery	19.00	11.50		
Chief Fiscal Officer	Accounting	40.00		72,100.08	
Cataloging Supervisor	Technical Services	40.00		45,397.04	
Page/Sorter	Delivery	19.00	8.67		
Courier	Delivery	19.00	10.24		
Page/Sorter	Delivery	19.00	8.67		
Operations Assistant	Delivery	40.00	12.54		
Courier	Delivery	19.00	10.29		
Courier	Delivery	19.00	10.34		
Courier	Delivery	19.00	10.29		



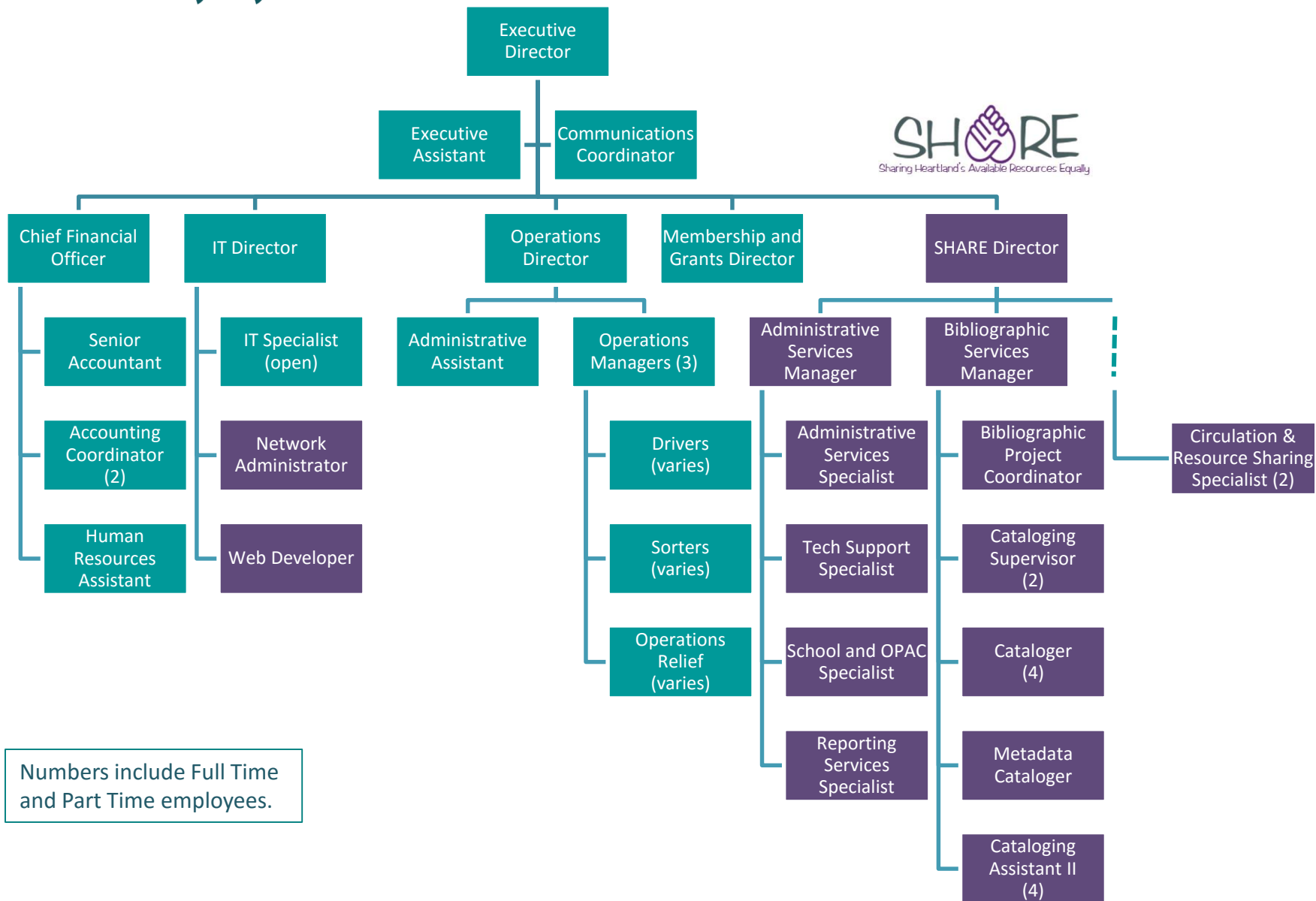
3.2.1 Staffing Worksheet

Title	Department	Hours Worked Per WK	Hourly Payrate	Annual Salary	Graduate Degree
Courier	Delivery	19.00	10.24		
Courier	Delivery	19.00	10.29		
Operations Manager	Delivery	40.00		45,000.02	
OCLC/Sr. Accountant	Accounting	40.00		45,000.02	
Courier	Delivery	19.00	13.50		
Page/Sorter	Delivery	19.00	8.97		
Cataloging Assistant II	Technical Services	40.00		43,931.94	MLS
SHARE Tech Sup Spec	Resource Sharing	40.00		32,618.56	
Courier	Delivery	19.00	12.00		
Cataloging Assistant I	Technical Services	40.00		33,312.24	
HR Assistant	Human Resources	18.00	16.00		
Courier	Delivery	19.00	11.00		
Cataloger	Technical Services	40.00		39,307.32	
Courier	Delivery	19.00	10.29		
Courier	Delivery	19.00	10.24		
Courier	Delivery	19.00	10.24		
SHARE Reporting Spec	Resource Sharing	10.00	19.42		
Courier	Delivery	40.00	13.50		
Courier	Delivery	19.00	10.24		
Courier	Delivery	19.00	12.00		MA
Courier	Delivery	19.00	10.29		
Courier	Delivery	19.00	10.29		
Courier	Delivery	19.00	10.29		MA
OCLC/ A/R Coordinator	Accounting	40.00		34,999.90	
Page/Sorter	Delivery	19.00	8.67		
Operations Director	Delivery	40.00		69,009.98	
Courier	Delivery	19.00	10.24		
Resource Sharing Spec	Resource Sharing	40.00		39,504.14	
Cataloging Assistant II	Technical Services	40.00		31,182.58	
Communications Coord	General Administration	40.00		43,160.00	
Courier	Delivery	19.00	10.34		
Operations Manager	Delivery	40.00		45,000.02	
Courier	Delivery	19.00	10.29		
Grants Director	General Administration	40.00		73,201.96	MLS
School & OPAC Spec	Resource Sharing	40.00		49,628.80	



3.2.1 Staffing Worksheet

Title	Department	Hours Worked Per WK	Hourly Payrate	Annual Salary	Graduate Degree
Courier	Delivery	19.00	10.34		
Courier	Delivery	19.00	10.24		
Courier	Delivery	19.00	10.24		
Cataloger	Technical Services	40.00		39,307.32	
Courier	Delivery	19.00	10.29		
Page/Sorter	Delivery	19.00	9.50		
Admin Services Spec	Resource Sharing	40.00		34,003.32	
Courier	Delivery	19.00	10.24		
Courier	Delivery	19.00	10.24		
Cataloging Supervisor	Delivery	40.00		56,165.72	MLIS
Metadata Cataloger	Technical Services	40.00		45,000.02	
Admin Assistant	Delivery	40.00	12.92		
Courier	Delivery	40.00	13.50		
Courier	Delivery	19.00	12.00		
Courier	Delivery	19.00	10.24		
Courier	Delivery	19.00	10.24		
Courier	Delivery	19.00	10.24		
Web Developer	Information Technology	40.00		65,000.00	
Courier	Delivery	19.00	10.34		
Courier	Delivery	19.00	10.29		
eBook Trainer/ Coord	Resource Sharing	40.00		47,626.28	MLS
Operations Manager	Delivery	40.00		45,000.02	
Membership Srvs Coord	General Administration	40.00		48,544.60	
Circulation Specialist	Resource Sharing	40.00		39,117.00	
IMSA Machine Clerk	Talking Books	40.00	10.60		
IT Specialist	Information Technology	40.00		35,360.00	
HR Director	Human Resources	40.00		67,416.18	
Operations Assistant	Delivery	40.00	12.85		
IMSA Machine Clerk	Talking Books	40.00	10.29		
IMSA Manager	Talking Books	40.00		48,579.18	
IMSA Lead Machine Adv	Talking Books	40.00	14.56		
Operations Assistant	Delivery	40.00	12.92		





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3.3.1 FY2016 REGULAR MEETINGS

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

Meeting dates are as follows:

July 28, 2015

August 25, 2015

September 22, 2015

October 27, 2015

November 24, 2015 (rescheduled to December 1, 2015)

January 26, 2016 (rescheduled to February 4, 2016)

February 23, 2016

March 22, 2016

April 26, 2016

May 24, 2016

June 28, 2016

July 26, 2016

All Board and committee meeting agendas are [posted on the Illinois Heartland Library System website](#).

3.3.2a List of System Board Members

Board Members	IHLS Board Title	Seat/Location	Library/Location Name	Address	Phone	Email	Term Date	Notes
Bant, Geoffrey	OMA Officer-IHLS	Public Library Trustee	Urbana Free Library	210 W Green St, Urbana, IL 61801	217-840-0415	gbant@uiuc.edu gbant@illinois.edu	7/18	
Barteau, Mary		School Library Representative	Belleville West High School	4063 Frank Scott Parkway Belleville, IL 62223	618-222-7666	mbarteau@bths201.org	7/18	
Beil, Mary		School Library Representative	Lebanon CUSD #9		618-795-3123	beilm@lcsd9.org	7/18	seated on 6/2016 replaced Alayna Davies-Smith
Clemmons, Lynda		Public Library Trustee	Harrisburg Public	6 Dogwood Place Harrisburg, IL 62946	618-252-3685	lbclemm@gmail.com	7/16	
Davies-Smith, Alayna		School Library Representative	O'Fallon School District 90	118 East Washington Street O'Fallon, IL 62269	618-830-2227	adavies@of90.net	7/18	resigned 2/16
Denué, Gary	FIOA Officer-IHLS	Public Library Trustee	Edwardsville Public Library	215 Commercial Street Edwardsville, IL 62025	618-656-4941	gdenué@siue.edu	7/17	
Fenton, James		Public Library Trustee	Carlinville Public Library	1102 South Locust Street, Apt. C Carlinville, IL 62626	217-854-4072	fentonj@frontiernet.net	7/16	
Fuller, Rachel		School Library Representative	Rochester Community Unit School District 3A	3 Rocket Drive Rochester, Illinois 62563.	309-221-9629 (c) (Preferred) 217-498-9761 ext. 1031 (w)	rfuller@rochester3a.net	7/17	
Hall, Cyde		Public Library Trustee	C.E. Brehm Memorial Public Library District	101 S 7th Street Mt. Vernon, IL 62864	618-242-6322	cjhall1962@gmail.com	7/17	
Hubert, Tina	Member at Large	Public Library Representative Slater	Six Mile Regional Library District	2001 Delmar Avenue Granite City, IL 62040	618-452-6238	tinahubert@sixmillerid.org	7/18	
Isaacs, Sarah	Vice President	Special Library Representative	Illinois Intervention Clearinghouse	51 Gerty Drive, Children's Research Center, Room 20	217-333-1386 (w) (Preferred) 217-714-0086 (c)	isaacs@illinois.edu	7/17	
Justice, Susan	Secretary	Public Library Trustee	Eldorado Memorial PLD	1810 4th Street Eldorado, IL 62960-1739	Phone: 618-273-9858 (h) 618-926-7057 (c)	csjust@clearwave.com	7/16	
Spearman, Leander	President/Chair	Public Library Representativ	Belleville Public Library	121 East Washington Belleville, IL. 62220	Phone: 618-234-0441 ext. 13	Leander.Spearman@belle villepubliclibrary.org	7/16	
Topel, Charlene		Public Library Trustee	Helen Matthes (Effingham Public Library)	100 East Market Avenue, Effingham, IL 62401-3499.	217-342-4079	ctopel@consolidated.net	7/18	
Trammell, George		Public Library Trustee	Marion Carnegie Library	200 Westernaire Drive Marion, IL 62959	618-993-6313 (h) 618-925-4057 (c)	grtram106@gmail.com	7/16	
West, Sandy	Treasurer	Academic Library Representative	Rend Lake College Learning Resource Center	468 N. Ken Gray Parkway Ina, IL 62846	618-437-5321 x1249 (Preferred) 618-559-1033 ©	wests@rlc.edu	7/17	

Elections are held at the June board meeting annually.
Officers are seated at the July board meeting annually.



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3.3.2b: Assessment that the Board meets Policy requirements in 23 ILAC 3030.255

The Board of Directors of the Illinois Heartland Library System does have policies in place to meet compliance regulations with 23 ILAC 3030.255.

Specific information can be found at:

<http://www.illinoisheartland.org/?q=about/policies>: Policies and Bylaws

<http://www.illinoisheartland.org/sites/default/files/FinProcPolicy.pdf>: Contracts and Purchasing

<http://www.illinoisheartland.org/sites/default/files/Financial Policy.pdf>: Personnel Code covers Conflict of Interest, Travel Expenditures and Secondary Employment.



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3.3.3 System Ethics Officer

The FY16 Ethics Officer for the Illinois Heartland Library System

Ellen Popit

Membership and Grants Director
Illinois Heartland Library System



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3.3.4 System FOIA Officer

The FY16 FOIA Officer for the Illinois Heartland Library System

Gary Denué
Public Library Trustee
Edwardsville Public Library

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3.4.1 Summary Appraisal of System Real Estate

Property Description	Own or Rent?	Value of Property	Plans for Property
Champaign Hub 1704 Interstate Drive Champaign, IL	Own	\$620,000 as of 2015	Roof replacement and parking lot replacement needed. The roof has been patched.
Edwardsville Hub 6725 Goshen Road Edwardsville, IL	Own	\$2,000,000 as of 2015	
Du Quoin Hub 500 South Madison Du Quoin, IL	Rent	\$4500 a month (\$54,000 yearly)	We are currently considering relocation.

**FY 2016 Library System Annual Report
LLSAP Annual Report
Section 4
*Adapted from Appendix F of the zILLANE Study***

4. LLSAP Annual Report

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

Instructions

For FY2016, the format of this report is in two sections: **Section 1** is data for the entire RLS (Regional Library System), and **Section 2** is data for each individual LLSAP. We have maintained the same table and numbering scheme to allow the matching of data from preceding years.

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

Multiple Section 2 reports should be submitted, one for each individual LLSAP. (Individual LLSAP is defined as a separate system-supported automation group that used a separate integrated library system product for FY2016.)

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

Section 1

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

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

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

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

A. RLS Membership Information	
A1 Number of all public libraries (agencies)	227
A2 Number of all public libraries (buildings)	260
A3 Number of all academic libraries (agencies)	34
A4 Number of all academic libraries (buildings)	79
A5 Number of all school libraries (agencies)	234
A6 Number of all school libraries (buildings)	952
A7 Number of all special libraries (agencies)	30
A8 Number of all special libraries (buildings)	34
A9 Number of all others	1
Total Libraries in RLS	526 Agencies/1,326 Buildings

E. RLS Libraries Belonging To Other Consortia (Shared Database)	
E1 Number of all public libraries (agencies)	2
E2 Number of all public libraries (buildings)	3
E3 Number of all academic libraries (agencies)	25
E4 Number of all academic libraries (buildings)	68
E5 Number of all school libraries (agencies)	0
E6 Number of all school libraries (buildings)	0
E7 Number of all special libraries (agencies)	2
E8 Number of all special libraries (buildings)	2
E9 Number of all other types	0
Total Libraries Belonging To Other Consortia	29 Agencies/73 Buildings

G. RLS Libraries Using Stand Alone Systems	
G1 Number of all public libraries (agencies)	7
G2 Number of all public libraries (buildings)	7
G3 Number of all academic libraries (agencies)	1
G4 Number of all academic libraries (buildings)	1
G5 Number of all school libraries (agencies)	136

G6 Number of all school libraries (buildings)	374
G7 Number of all special libraries (agencies)	0
G8 Number of all special libraries (buildings)	0
G9 Number of all other types	0
Total Stand Alone Libraries	144 Agencies/382 Buildings

H. RLS Libraries that are Not Automated	
H1 Number of all public libraries (agencies)	12
H2 Number of all public libraries (buildings)	12
H3 Number of all academic libraries (agencies)	0
H4 Number of all academic libraries (buildings)	0
H5 Number of all school libraries (agencies)	48
H6 Number of all school libraries (buildings)	97
H7 Number of all special libraries (agencies)	9
H8 Number of all special libraries (buildings)	9
H9 Number of all other types	0
Total Non-Automated Libraries	69 Agencies/126 Buildings

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

Section 2

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

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

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

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

Tables 1 and 2 – specific instructions

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

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

There may be categories and/or line items in the form for which you do not record costs or revenues. Please put a N/A in the *FY2016 columns for those items*.

SHARE (Sharing Heartland's Available Resources Equally)

Table 1: Individual LLSAP Operating Expenses

Expenditures	Expense Item	FY2016
Personnel		
	Library Professionals	\$342,428.58
	Other Professionals	\$273,020.02
	Support Services	\$141,360.79
	Social Security Texas (FICA)	\$56,502.44
	Unemployment Insurance	\$2,923.30
	Workers' Compensation	\$1,122.84
	Retirement Benefits	\$104,938.36
	Health, Dental, and Life Insurance	\$173,155.04
	Temporary Help	
	Recruiting	
TOTAL		\$1,095,451.37
Library Materials		
	Print Materials	-
	Nonprint Materials	-
	E-Resources	-
TOTAL		-
Buildings & Grounds		
	Rent	-
	Utilities	-
	Property Insurance	-
	Repairs & Maintenance	-
	Janitorial Services & Supplies	-
	Other	-
TOTAL		-
Vehicle Expense		
	Gas & Oil	\$820.27
	Repairs & Maintenance	-
	Vehicle Insurance	-
	Vehicle Leasing & Rent	-
TOTAL		\$820.07
Travel & CE for Staff & Board		
	In-State Travel	\$2,616.34
	Out-of-State Travel	\$8.80
	Registration & Other Fees	\$708.47
TOTAL		\$3,333.61
Continuing Education & Meetings / Others		\$65.43
Public Relations		-
Liability Insurance		-
Supplies, Postage & Printing		
	Computer Supplies	\$3,977.47
	General Office Supplies & Equipment	\$49,287.68
	Internal Printing/Photocopying	-
	Postage	\$1,018.09
	Library Supplies	-
	Other	-
TOTAL		\$54,283.24

Telephone & Telecomm		FY2016
	Local/Long Distance – Voice	-
	Telecomm – Data & Fax	\$15,990.24
TOTAL		\$15,990.24
Equipment Rental, Repair & Maintenance		
	Equipment Rental	\$240.00
	Equipment Repair & Maintenance	\$40.00
	Maintenance Agreement	-
	Computer Hardware Insurance	-
TOTAL		\$280.00
Professional Services		
	Legal	\$490.00
	Accounting	-
	Consulting	-
	Contractual Staff	-
TOTAL		\$490.00
Contractual Services		
	Information Services (bibliographic databases, online subscriptions, etc)	\$163,983.12
	Contractual Agreements	-
	Outside Printing	-
TOTAL		\$163,983.12
Interlibrary Loan Charges		-
TOTAL OPERATING EXPENSES		\$1,334,697.08

Table 2
LLSAP Annual Revenues

Revenues	Revenue Item	FY2016
State Grants		
Federal Grants		
Other Grants		\$950.00
LLSAP Participation / Service Fees		
	Annual Participation Fees (from all categories of participants)	\$1,082,690.32
	One-Time Startup Fees	\$106,000.00
	Other (please describe)	
Interest Income		\$1,117.23
Other Revenue		\$60,963.96
TOTAL REVENUE		\$1,251,721.51

Tables B-O: LLSAP Supplemental Information

B. LLSAP Participation Information – Full Fee-Paying Participant	
B1 Number of all public libraries (agencies)	186
B2 Number of all public libraries (buildings)	204
B3 Number of all academic libraries (agencies)	8
B4 Number of all academic libraries (buildings)	8
B5 Number of all school libraries (agencies)	100
B6 Number of all school libraries (buildings)	218
B7 Number of all special libraries (agencies)	13
B8 Number of all special libraries (buildings)	13
B9 Number of all other types	3
Total Full Fee-Paying Participants	307 agencies / 443 buildings
Is RLS an LLSAP participant?	yes
Does RLS pay participation fees as others?	no

C. LLSAP Participation Information – Partial Fee-Paying Participant	
C1 Number of all public libraries (agencies)	17
C2 Number of all public libraries (buildings)	17
C3 Number of all academic libraries (agencies)	1
C4 Number of all academic libraries (buildings)	1
C5 Number of all school libraries (agencies)	11
C6 Number of all school libraries (buildings)	21
C7 Number of all special libraries (agencies)	0
C8 Number of all special libraries (buildings)	0
C9 Number of all other types	29 agencies / 39 buildings
Total Partial Fee-Paying Participants	

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

F. Participants	
F1 Participants as of June 30, 2016	336 agencies/482 buildings

I. Bibliographic Record Information	
I1 Total number of bibliographic records in database	1,845,236
I2 Total number of item records in database	9,212,362
I3 Total number of patrons listed in patron database	817,095

J. LLSAP Use by All Participants	
J1 Total search transactions in past 12 months (FY2016)	14,920,542
J2 Total circulation transactions in past 12 months (FY2016)	9,563,652
J3 Total interlibrary loan transactions in FY2016	1,763,426
J4 Total reciprocal borrowing transactions in FY2016	662,032

K. Cost and Revenue Information		FY 2016
K1 Annual Total Fees Received From Full Members		\$1,060,827.82
K2 Annual Total Fees Received From Partial Members		\$21,862.50
K3 Annual Fees/Support Received From RLS		\$200,000.00
K4 FTEs Charged to LLSAP Operating Expenses		\$15.5
K5 FTEs Supporting LLSAP but Not Charged to LLSAP operating costs		
K6 Annual Total Cost of Operating the LLSAP		\$1,334,697.08

L. Cost Components of Operating the LLSAP	FY2016
Personnel	\$1,095,451.37
Vehicle Expense	\$820.07
Travel	\$3,333.61
Continuing Education	\$65.43
Supplies, Postage, Printing	\$54,283.24
Telephone/Telecommunications	\$15,990.24
Equipment Rental, Repair & Maintenance	\$280.00
Professional Services	\$490.00
Contractual Services	\$163,983.12
Total All Expenditures	\$1,334,697.08

M. Cost Components to Participate in the LLSAP—Startup	FY2016
Implementation fee (for new members)	\$2,000.00
Acquisitions (optional)	\$250.00
SIP2 for PC Management (optional)	\$200.00
SIP@ for Self-Check (optional)	\$300.00
Telephone Notification (optional)	\$500.00

N. Cost Components to Participate in the LLSAP—Ongoing	FY2016
SHARE Member Fee (annual)	\$150.00
SHARE Basic Fee—Academic Libraries (annual)	\$1 X full time enrollment; \$1,500.00 minimum
SHARE Basic Fee—Public Libraries (annual)	1 to 1.5% of budget reported on IPLAR (line items 9.1, 9.2, 9.3, and 9.4 only); \$1,000.00 minimum fee
SHARE Basic Fee—School Libraries (annual)	Determined by ISBE's Fall Housing Count; \$600 minimum fee; \$3,500.00 maximum fee
SHARE Basic Fee—Special Libraries (annual)	Calculation formula = (annual circulation x .05) + (total items x .03) + (total patrons x .03)
SHARE Bibliographic Services	Cataloging libraries—no fee Barcoding A libraries—14% of materials budget, less \$100.00, with a minimum fee of \$100.00; paid annually Barcoding B libraries—per item charge (\$10 or \$3) for items cataloged by SHARE staff
Polaris module (optional)—Course Reserves	\$100.00
Polaris module (optional)—Outreach/Homebound	\$100.00
Polaris module (optional)—Debt Collection	\$250.00
Polaris module (optional)—SIP2 for PC Management	\$200.00
Polaris module (optional)—SIP2 for Self Check	\$300.00
Polaris module (optional)—Telephone Notification	\$1,000.00
Polaris module (optional)—EDI (Electronic Data Exchange)	\$500.00



FY 2016 Library System Annual Report

Delivery Annual Report

Section 5

5. 1 Delivery Annual Report

In addition to including delivery goals, objectives, and activities in the Annual Report Narrative (1.1), complete Tables 1 and 2 with information specific to the delivery service only. For FY2016, this report is for system delivery.

Table 1: Delivery Operating Expenses

Delivery Expenditures	Expense Item	FY2016
Delivery Personnel		
	Library Professionals	-
	Other Professionals	\$71,473.68
	Support Services	\$680,170.09
	Social Security Texas (FICA)	\$57,087.45
	Unemployment Insurance	\$7,035.72
	Workers' Compensation	\$30,212.66
	Retirement Benefits	\$46,990.61
	Health, Dental, and Life Insurance	\$53,613.55
	Temporary Help	-
	Recruiting	\$921.10
TOTAL		\$947,504.86
Delivery Buildings & Grounds		
	Rent	\$28,458.00
	Utilities	\$18,716.70
	Property Insurance	\$5,766.71
	Repairs & Maintenance	\$5,731.60
	Janitorial Services & Supplies	\$5,473.04
	Other	\$14,601.45
TOTAL		\$78,747.50
Delivery Vehicle Expense		
	Fuel	\$86,194.32
	Repairs & Maintenance	\$29,457.87
	Vehicle Insurance	\$16,718.00
	Vehicle Leasing & Rent	-
TOTAL		\$132,370.19
Travel & CE for Delivery Staff		
	In-State Travel	\$576.18
	Out-of-State Travel	-
	Registration & Other Fees	\$650.71
TOTAL		\$1,226.89
Delivery Liability Insurance		\$6,052.75
TOTAL		\$6,052.75
Supplies, Postage & Printing		
	Delivery Supplies	\$8,324.55
	General Office Supplies & Equipment	\$8,783.18
	Internal Printing/Photocopying	-
	Postage	\$551.70
	Library Supplies	-
	Other	-
TOTAL		\$17,659.43



Delivery Telephone & Telecomm		FY2016
	Local/Long Distance – Voice	\$544.70
	Telecomm – Data & Fax	\$9,605.91
TOTAL		\$10,150.61
Delivery Equipment Rental, Repair & Maintenance		
	Equipment Rental	\$4,772.04
	Equipment Repair & Maintenance	-
	Maintenance Agreement	\$3,992.34
	Computer Hardware Insurance	-
TOTAL		\$8,764.38
Delivery Professional Services		
	Legal	\$5,154.75
	Accounting	\$10,192.31
	Consulting	\$2,254.00
	Contractual Staff	\$11,517.00
TOTAL		\$29,118.06
Delivery Contractual Services		
	Contractual Agreements with commercial carriers	-
TOTAL		-
TOTAL OPERATING EXPENSES		\$1,231,594.67

Table 2: Delivery Supplemental Statistics as of June 30, 2016

2. 1 All Agencies	Number receiving system-provided delivery	Number receiving outsourced delivery	Total
Public libraries (agencies)	223	0	223
Academic libraries (agencies)	1	0	1
School libraries (agencies)	185	0	185
Special libraries (agencies)	21	0	21
TOTAL	431	0	431

3.3 CDP Agencies	Number participating in CDPs as either host or participant
Public libraries (agencies)	52
Academic libraries (agencies)	0
School libraries (agencies)	27
Special libraries (agencies)	0
TOTAL ALL PARTICIPANTS	79
TOTAL ALL CDPs in SYSTEM	79

3.5 Agency Delivery by Frequency	Number in functional frequency categories (include all types of delivery)
2 day per week	128
3 day per week	69
4 day per week	48
5 day per week	109
Other	74
TOTAL	431