

ILLINOIS HEARTLAND LIBRARY SYSTEM

REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2024

ILLINOIS HEARTLAND LIBRARY SYSTEM

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ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON
September 5, 2024

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Illinois Heartland Library System

Report on the Audit of the Financial Statements

Opinions

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, 2024, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

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, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary 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 accompanying individual fund financial statements and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 individual fund financial statements and the schedule of expenditures of federal awards 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 5, 2024, 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 solely 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 the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.



Alton, Illinois



ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON

September 5, 2024

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, 2024, 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 5, 2024.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Illinois Heartland Library System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that 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. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-1 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

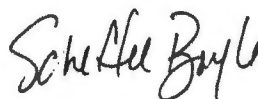
As part of obtaining reasonable assurance about whether Illinois Heartland Library System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

Government Auditing Standards requires the auditor to perform limited procedures on Illinois Heartland Library System's response to the finding identified in our audit as 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

September 5, 2024

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

Opinion on Each Major Federal Program

We have audited Illinois Heartland Library System's compliance with the types of compliance requirements identified as subject to audit 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, 2024. 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.

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, 2024.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Illinois Heartland Library System and to meet our ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Illinois Heartland Library System's compliance with the compliance requirements referred to above.

Responsibility of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Illinois Heartland Library System's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Illinois Heartland Library System's compliance based on audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about Illinois heartland Library System's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Illinois Heartland Library System's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Illinois Heartland Library System's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Illinois Heartland Library System's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

A handwritten signature in cursive script that reads "Scheffel Boyle".

Alton, Illinois

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

Illinois Heartland Library System's Management Discussion and Analysis (MD&A) provides a narrative overview and analysis of the financial activities of the Illinois Heartland Library System for the fiscal year that ended June 30, 2024 (FY2024). The MD&A is designed to:

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

Background

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

Library systems have been a part of the library landscape in Illinois for over five decades. Following the enactment of legislation in 1965, there were 18 Illinois library systems. Prior to the July 2011 IHLS merger, nine multitype regional library systems were in Illinois with the remaining five merging in July 2011 as well, which established the Reaching Across Illinois Library System (RAILS). Library Systems are funded primarily by a grant (System Area and Per Capita) administered by the Illinois State Library (ISL), a division of the Illinois Secretary of State. In the founding legislation, the Library Systems Area & Per Capita Grant (23 ILAC 3035.100) formula is based on \$43.2999 per square mile and \$1.2457 per person. The demographic information from the 2020 Census is used to calculate the funding level and indicates a total population served of 2,160,649 and a 28,368 square mile service area. In FY2015, IHLS received requested funding of \$3,364,429. However, in FY2016 and FY2017 due to the Illinois budget impasse, IHLS's funding level was reduced to 58% of FY2015 funding level - \$1,989,671. In FY2018 through FY2022, IHLS received funding for \$3,400,700. In FY2023, IHLS received an increase in funding due to changes to the cost per area and per capita. The FY2023 and FY2024 funding totaled \$3,919,852.

Funds received from the System Area & Per Capita Grant (SAPG) are utilized by IHLS to provide services to member libraries and to pay for the basic administration operations of the organization. In FY2024, 520 libraries of various types participated as members of IHLS (28 academics, 227 publics, 239 school districts, and 26 special libraries). Membership totals fluctuate 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 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.

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

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

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

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

The vision of IHLS is:

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

The Illinois Heartland Library System's basic financial statements contained in this report are comprised of three components:

- Government-wide Financial Statements,
- Fund Financial Statements, and
- Notes to the Financial Statements.

Government-Wide Financial Statements

The Government-wide financial statements distinguish functions of IHLS that are principally supported by grants and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The only core service provided with costs recovered through user fees is the Local Library System Automation Program (LLSAP) which is called Sharing Heartland's Available Resources Equally (SHARE). Information regarding the LLSAP is found under the Proprietary Fund – Computer Development Fund sections of the Audit Report.

The first two documents in the audit section titled, *Basic Financial Statements*, contain information that summarizes financial activity for all funds used to support IHLS's programs and projects. Page 17 contains the *Statement of Net Position* which presents information on all IHLS's assets and liabilities as of June 30, 2024. The *Statement of Activities*, found on page 18, reflects the change in Net Position and FY2024 Year End Net Position for all IHLS's programs and activities. All changes in the Net Position are reported in the fiscal year of occurrence, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., grant receivables and accounts payable).

Fund Financial Statements

Financial information for IHLS is reported by fund. Each fund is a separate accounting entity created to segregate specific activities and to ensure and demonstrate compliance with finance-related legal requirements. IHLS has three types of funds – Governmental, Proprietary, and Fiduciary.

There were several governmental funds represented in the FY2024 IHLS financial reports and audit. The *General Fund* contains the financial information for the general administration and operation of IHLS, and the provision of core services (except for automation and bibliographic access).

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

Special Revenue Funds are grants awarded by ISL for specific projects undertaken by IHLS. In FY2024, IHLS had three *Special Revenue Funds* – *Cataloging Maintenance Center (CMC)*, *iLEAD Library Trustee Training (LTT)*, and *Online Computer Library Center (OCLC) Billing*.

CMC is the more significant grant that provided funding to IHLS. The grant's purpose is to do original or copy cataloging of library materials, bibliographic database cleanup, training and assistance, and metadata consultation for all Illinois libraries and library consortia. IHLS has participated in this project since its inception.

The *OCLC Grant* is represented in the audited financial statements under "*Other Governmental Funds*."

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

Proprietary Fund

IHLS has one Proprietary Fund referenced in these audited financial statements. The financial information presented in the *Computer Development Fund* is for the Local Library System Automation Program (LLSAP). IHLS internally refers to its *Computer Development Fund* as *Sharing Heartland Available Resources Equally (SHARE)*. As of June 30, 2024, *SHARE* currently represents 339 agencies (utilizing 473 library buildings). *SHARE* membership fluctuates based on factors such as new (transitional) members, members' ability to afford membership fees, overall library sustainability, and the consolidation or closure of school libraries. IHLS's LLSAP participates in a single library automation system with a shared database. Staff from these libraries also receive technical and other support as well as training from IHLS.

The basic proprietary fund financial statements can be found on pages 23-25 of this report. The fees collected for this service support out-of-pocket expenditures (including direct staff and their benefits).

Fiduciary Fund (Custodial Funds)

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

Notes to the Financial Statements

The notes provide additional information and insight that is essential to a full understanding of the data provided. *The Notes to the Financial Statements* can be found on pages 28-48 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning IHLS's budget to actual schedules and progress in funding its obligation to provide pension benefits to its employees. Required supplementary information for the budget to actual schedules and pension obligations can be found on pages 49-56 of this report.

The other supplementary schedules contain individual fund statements and the budget to actual comparison for Non-Major Funds. Other supplementary information can be found on pages 57-61 of this report.

Government-Wide Financial Analysis

Over time, Net Position may serve as a useful indicator of an entity's financial position. IHLS's Assets exceeded Liabilities by \$12,088,395 at the close of FY2024.

The largest portion of the IHLS's Net Position (58%) is Cash and Cash Equivalents which are used as working capital, necessitated because of delays in the receipt of the System Area and Per Capita Funds. These funds are also utilized for capital improvements.

**ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

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

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and Other Assets	\$ 6.3	\$ 6.7	\$ 2.4	\$ 2.6	\$ 8.7	\$ 9.3
Noncurrent Assets	3.1	1.9	0.9	0	4.0	1.9
Total Assets	\$ 9.4	\$ 8.6	\$ 3.3	\$ 2.6	\$ 12.7	\$ 11.2
Deferred Outflows of Resources	\$ 4.0	\$ 5.3	\$ 1.7	\$ 2.2	\$ 5.7	\$ 7.5
Current and Other Liabilities	\$ 0.2	\$ 0.2	\$ 0.1	\$ 0.1	\$ 0.3	\$ 0.3
Long-Term Liabilities	0.2	0.5	0.2	0.2	0.4	0.7
Total Liabilities	\$ 0.4	\$ 0.7	\$ 0.3	\$ 0.3	\$ 0.7	\$ 1.0
Deferred Inflows of Resources	\$ 2.5	\$ 3.2	\$ 1.0	\$ 1.3	\$ 3.5	\$ 4.5
Net Position						
Net Investment in Capital Assets	\$ 2.1	\$ 1.8	\$ 0.4	\$ 0	\$ 2.5	\$ 1.8
Restricted	0.1	0.1	0	0	0.1	0.1
Unrestricted	8.4	8.1	3.2	3.2	11.6	11.3
Total Net Position	\$ 10.6	\$ 10.0	\$ 3.6	\$ 3.2	\$ 14.2	\$ 13.2

Long-Term Liabilities represents the value of earned, but unused vacation accumulated by employees, future payments on SBITA contracts, as well as Net Pension Liability (if any) related to participation in the Illinois Municipal Retirement (IMRF) Fund, as of June 30, 2024. Restricted Assets are the remaining fund balances for the Capital Projects, CMC Grant, LTT Grant, and OCLC Grant Funds which must be used by those funds only. IHLS has internally set aside committed and reserve funds in its *Computer Development Fund (SHARE)* for the eBooks combined purchases and future capital outlay purchases.

The following table (in millions) is a summary of the Statement of Activities for the years ending June 30, 2024, and 2023:

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program Revenues						
Charges for Services	\$ 0.3	\$ 0.3	\$ 1.7	\$ 1.6	\$ 2.0	\$ 1.9
Operating Grants and Contr.	5.0	5.0	0	0	5.0	5.0
General Revenues	0.4	(0.2)	0.1	(0.2)	0.5	\$ (0.4)
Internal Activity - Transfers	(0.3)	(0.3)	0.3	0.3	0	0
Total Revenues	\$ 5.4	\$ 4.8	\$ 2.1	\$ 1.7	\$ 7.5	\$ 6.5
Expenses:						
General Library Services	\$ 4.8	\$ 4.9	\$ 0	\$ 0	\$ 4.8	\$ 4.9
Computer Development	0	0	1.7	1.8	1.7	1.8
Total Expenses	\$ 4.8	\$ 4.9	\$ 1.7	\$ 1.8	\$ 6.5	\$ 6.7
Change in Net Position	\$ 0.6	\$ (0.1)	\$ 0.4	\$ (0.1)	\$ 1.0	\$ (0.2)
Beginning Net Position	9.9	9.2	3.3	2.7	13.2	11.9
Ending Net Position	\$ 10.5	\$ 9.1	\$ 3.7	\$ 2.6	\$ 14.2	\$ 11.7

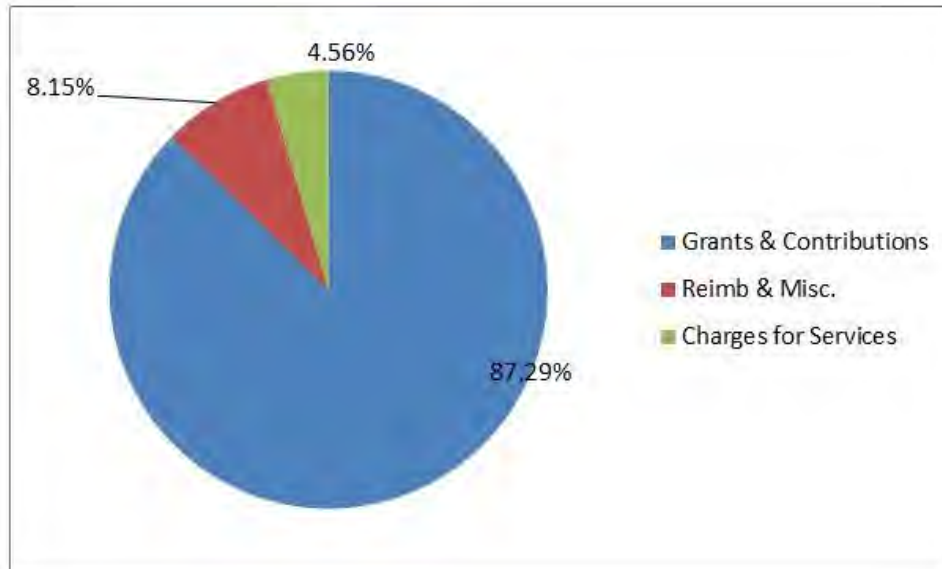
ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

This Statement reflects a change in Net Position of \$1,019,599. This is a 7.7% increase from the prior year. This increase in the current year is attributable to the Actuarial Valuation performed in the System's participation in the Illinois Municipal Retirement Fund. The System recognized current year pension income of \$815,044 compared to pension expense of \$701,842 in the prior year.

Revenues by Source

Government Activities

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



Business Type Activities

Based on the audited financial statements, IHLS's business-type activity is the LLSAP, SHARE. As reported on the *Statement of Revenues, Expenses, and Changes in Fund Net Position* (page 24), *Charges for Services* continued to represent most of the *Operating Revenues* (approximately 95%).

Financial Analysis of the Government's Funds

As noted earlier, IHLS uses fund accounting to demonstrate and ensure compliance with finance-related legal and grant requirements. As indicated on page 19, as of June 30, 2024, *IHLS's Governmental Funds* reported a combined ending fund balance of \$6,133,705.

IHLS developed a budget based on the priority areas identified by the ISL and the *FY2024 Goals* contained in the *IHLS Operational Plan*. The budget must be approved by the IHLS's Board of Directors and the ISL. IHLS's staff uses the budget to guide the operations throughout the fiscal year. The FY2024 budget represents normal funding levels.

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

General Fund

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

	Original Budget	Final Budget	Actual
Revenues:			
Area and Per Capita Grants	\$ 3,919,852	\$ 3,919,852	\$ 3,919,852
Fees for Services and Material	266,473	266,473	262,593
Reimbursements	3,715	3,715	12,930
Investment income	88,253	88,253	276,890
Miscellaneous	91,435	91,435	127,834
Total Revenues	\$ 4,369,728	\$ 4,369,728	\$ 4,600,099
Expenditures:			
Personnel	\$ 3,334,084	\$ 3,334,084	\$ 3,107,353
Other Operating Expenditures	1,192,348	1,192,348	970,373
Total Expenditures	\$ 4,526,432	\$ 4,526,432	\$ 4,077,726
Excess of Revenue Over (Under)			
Expenditures	(156,704)	(156,704)	522,373
Other Financing Sources (Uses):			
Proceeds from Sale of Assets			\$ 20,225
Transfers In (Out)	\$ (350,000)	\$ (773,703)	(793,928)
Net Change in Fund Balance	\$ (506,704)	\$ (930,407)	\$ (251,330)

In the General Fund, IHLS welcomed two new colleagues, a Data Analyst and a Full Stack Developer. The minimum wage increase had an impact on wages for our Sorter staff and staff received a 5% increase in compensation. All these changes had a positive impact on the organization.

In FY2024, IHLS' in-person travel ensured staff would receive the necessary support for site visits, networking opportunities, and continuing education. Staff are better equipped to build expertise in different areas of librarianship, enhancing their training skills, building, and sustaining professional relationships, and keeping current with library marketplace trends. A fully staffed membership department allowed us to provide more outreach and development for our members.

IHLS received a \$4,000 grant from the Illinois Humanities Grant to initiate a Mobile Memory Lab. This allowed patrons and the sites visits to scan and record their historical item.

IHLS issued a Request for Proposal (RFP) for an Automatic Material Handler (AMH) system. After much review from staff, member libraries, and the IHLS Board of Directors, the decision was made to proceed with the purchase and implementation of these machines at each location in FY2025.

Cataloging Maintenance Center (CMC)

In FY2024, the Cataloging Maintenance Center (CMC) project continued its statewide focus on bibliographic database cleanup, cataloging library materials, and training in a variety of formats. The CMC catalogers are supported by a grant from the Illinois State Library (ISL) to provide services that help improve access to the resources in Illinois libraries. The CMC serves libraries in the IHLS service area and across the state. Three temporary catalogers continued the

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

assigned work on the Consortium of Academic and Research Libraries in Illinois (CARLI) cleanup project. The metadata cataloger supported the work on the Mobile Memory Lab Grant project.

Sharing Heartland's Available Resources Equally (SHARE)

In FY2024, SHARE implemented a new Aspen discovery layer to add to the functionality of Polaris. SHARE obtained contractual services to assist libraries with this implementation. This created \$64,250 of additional revenue during the fiscal year as members were invoiced for the new Aspen service in FY2024. The members voted to have Aspen included as part of the core SHARE services in FY2025, rather than billed as an add-on service.

SHARE's in-person travel allows staff to continue their education, offers the ability to network with SHARE members, and creates the opportunity to promote the program to non-members.

In FY2024, SHARE purchased eight servers for a server replacement project.

Capital Projects Fund

Capital Assets for IHLS include purchases of items or services with a minimum per-unit cost of \$5,000. Capital Projects in FY2024 included the cost of the parking lot resurfacing project at the Edwardsville office.

In FY2024, IHLS purchased nine Ford Transit vans. IHLS surplusd nine vans after the receipt of the new vans. This generated an additional \$70,067 of revenue for the Capital Projects Fund.

Capital Assets

The table below shows the net book value (in thousands) of IHLS Capital Assets at June 30, 2024, and 2023:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Land	\$ 411.6	\$ 411.6	\$ 0	\$ 0	\$ 411.6	\$ 411.6
Assets in Progress	0	0	0	0	0	0
Buildings & Improvements	1,049.9	997.7	0	0	1,049.9	997.7
Equipment & Other	0	0	0	0	0	0
Furniture & Fixtures	0	0	0	0	0	0
Computers	19.6	23.9	340.0	30.5	359.6	54.4
Vehicles	669.7	365.4	0	0	669.7	365.4
Subscription Software	0	0	237.9	0	237.9	0
Total Capital Assets	2,150.8	\$ 1,798.6	\$ 577.9	\$ 30.5	\$ 2,728.7	\$ 1,829.1

Discussions of Currently Known Facts, Decisions, or Conditions

IHLS's FY2024 budget was developed using the modified zero-based budget process. Administrative staff from the system participated in developing the budget. Careful consideration was given to the core service priorities as expressed by the Illinois Secretary of State and the Illinois State Library.

The primary funding source for the *Governmental Activities* is the System Area and Per Capita Grant from the Illinois State Library, which is supported by the Illinois General Revenue and Federal Funds. The federal source of funding is through the Library Services and Technology Act (LSTA). Other revenue sources used for the *Proprietary Activities* include the fees collected to support the operation of the LLSAP, SHARE, which provides services to approximately 339 full-member agencies.

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

FY2014 marked the first completed fiscal year of 300-member libraries sharing a single integrated library system. The SHARE consortium utilizes Polaris Integrated Library Systems for its automation platform. The SHARE membership continues to contribute annually to a reserve fund in anticipation of hardware replacement, technology upgrades, and to have the capital to implement a new software platform if a change in vendor becomes necessary.

A prudent business practices framework will continue to guide policies and financial decisions, providing a more sustainable model. As IHLS moves into FY2025, it will continue to balance staying within the priority areas established by the Illinois State Library, providing quality service based on identified member needs, and remaining fiscally responsible (knowing the financial realities of available funding).

Request for Information

This financial report is designed to provide a general review of the Illinois Heartland Library System for all those with an interest in IHLS's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Illinois Heartland Library System, Edwardsville Office, 6725 Goshen Road, Edwardsville, IL 62025.

ILLINOIS HEARTLAND LIBRARY SYSTEM

STATEMENT OF NET POSITION

JUNE 30, 2024

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 6,000,254	\$ 2,197,168	\$ 8,197,422
Accounts Receivable	99,656	27,519	127,175
Prepaid Expenses	233,517	171,742	405,259
Due from Other Funds	16	1,647	1,663
Total Current Assets	<u>\$ 6,333,443</u>	<u>\$ 2,398,076</u>	<u>\$ 8,731,519</u>
Noncurrent Assets:			
Capital Assets:			
Non-Depreciable	\$ 411,667		\$ 411,667
Depreciable,			
Net of Accumulated Depreciation	1,739,198	\$ 339,991	2,079,189
Amortizable,			
Net of Accumulated Amortization		237,852	237,852
Total Net Capital Assets	<u>\$ 2,150,865</u>	<u>\$ 577,843</u>	<u>\$ 2,728,708</u>
Net Pension Asset	968,463	345,163	1,313,626
Total Noncurrent Assets	<u>\$ 3,119,328</u>	<u>\$ 923,006</u>	<u>\$ 4,042,334</u>
Total Assets	<u>\$ 9,452,771</u>	<u>\$ 3,321,082</u>	<u>\$ 12,773,853</u>
Deferred Outflows of Resources:			
Deferred Outflows from Pension Contributions	\$ 3,963,712	\$ 1,655,329	\$ 5,619,041
Total Deferred Outflows of Resources	<u>\$ 3,963,712</u>	<u>\$ 1,655,329</u>	<u>\$ 5,619,041</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 13,416,483</u>	<u>\$ 4,976,411</u>	<u>\$ 18,392,894</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>			
Current Liabilities:			
Accounts Payable	\$ 41,374	\$ 16,055	\$ 57,429
Accrued Expenses	156,717	45,799	202,516
Due to Other Funds	1,647	16	1,663
Total Current Liabilities	<u>\$ 199,738</u>	<u>\$ 61,870</u>	<u>\$ 261,608</u>
Long-Term Liabilities:			
Accrued Compensated Absences	\$ 203,754	\$ 84,735	\$ 288,489
Subscription-Based IT Software Liability		135,361	135,361
Total Long-Term Liabilities	<u>\$ 203,754</u>	<u>\$ 220,096</u>	<u>\$ 423,850</u>
Total Liabilities	<u>\$ 403,492</u>	<u>\$ 281,966</u>	<u>\$ 685,458</u>
Deferred Inflows of Resources:			
Deferred Inflows of Resources Related to Net Pension Asset	\$ 2,476,178	\$ 1,019,366	\$ 3,495,544
Total Deferred Inflows of Resources	<u>\$ 2,476,178</u>	<u>\$ 1,019,366</u>	<u>\$ 3,495,544</u>
Net Position:			
Net Investment in Capital and SBITA Assets Restricted	\$ 2,150,865	\$ 442,482	\$ 2,593,347
Grant Expenditures	20,753		20,753
Unrestricted	8,365,195	3,232,596	11,597,792
Total Net Position	<u>\$ 10,536,813</u>	<u>\$ 3,675,079</u>	<u>\$ 14,211,892</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 13,416,483</u>	<u>\$ 4,976,411</u>	<u>\$ 18,392,894</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, 2024

<u>Functions/Programs</u>	Program Revenues			Net (Expense)/Revenue And Changes in Net Position - Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
	Governmental Activities:						
General Library Services	\$ 4,810,807	\$ 262,593	\$ 5,023,984		\$ 475,770		\$ 475,770
Business-Type Activities:							
Computer Development	1,703,811	1,664,938				\$ (38,873)	(38,873)
	<u>\$ 6,514,618</u>	<u>\$ 1,927,531</u>	<u>\$ 5,023,984</u>	<u>\$ 0</u>	<u>\$ 475,770</u>	<u>\$ (38,873)</u>	<u>\$ 436,897</u>
General Revenues:							
Reimbursements					\$ 12,930		\$ 12,930
Investment Income					328,793	\$ 113,702	442,495
Miscellaneous					71,075		71,075
Gain (Loss) on Sale of Assets					56,202		56,202
Internal Activity - Transfers					(350,000)	350,000	
Total General Revenues					<u>\$ 119,000</u>	<u>\$ 463,702</u>	<u>\$ 582,702</u>
Change in Net Position					\$ 594,770	\$ 424,829	\$ 1,019,599
Net Position - Beginning of Year					9,942,043	3,250,250	13,192,293
Net Position - End of Year					<u>\$ 10,536,813</u>	<u>\$ 3,675,079</u>	<u>\$ 14,211,892</u>

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2024

	<u>Major Funds</u>					<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>CMC Grant Fund</u>	<u>Capital Projects Fund</u>	<u>Library Trustee Training Fund</u>	<u>Other Governmental Funds</u>	
ASSETS						
Cash and Cash Equivalents	\$ 5,031,884	\$ 71,121	\$ 896,511	\$ 4	\$ 734	\$ 6,000,254
Accounts Receivable	26,050			73,606		99,656
Prepaid Expenses	221,363	5,449		1,533	5,172	233,517
Due from Other Funds	68,654					68,654
Total Assets	<u>\$ 5,347,951</u>	<u>\$ 76,570</u>	<u>\$ 896,511</u>	<u>\$ 75,143</u>	<u>\$ 5,906</u>	<u>\$ 6,402,081</u>
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts Payable	\$ 11,628	\$ 28,314		\$ 591	\$ 841	\$ 41,374
Accrued Expenses	124,688	18,748		7,577	5,704	156,717
Due to Other Funds		3,306		66,975	4	70,285
Total Liabilities	<u>\$ 136,316</u>	<u>\$ 50,368</u>	<u>\$ 0</u>	<u>\$ 75,143</u>	<u>\$ 6,549</u>	<u>\$ 268,376</u>
Fund Balances:						
Non-Spendable	\$ 221,363	\$ 5,449		\$ 1,533	\$ 5,172	\$ 233,517
Restricted		20,753				20,753
Assigned			\$ 896,511			896,511
Unassigned	4,990,272			(1,533)	(5,815)	4,982,924
Total Fund Balances (Deficit)	<u>\$ 5,211,635</u>	<u>\$ 26,202</u>	<u>\$ 896,511</u>	<u>\$ 0</u>	<u>\$ (643)</u>	<u>\$ 6,133,705</u>
Total Liabilities and Fund Balances	<u>\$ 5,347,951</u>	<u>\$ 76,570</u>	<u>\$ 896,511</u>	<u>\$ 75,143</u>	<u>\$ 5,906</u>	<u>\$ 6,402,081</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, 2024

Total Fund Balance, Governmental Funds		\$ 6,133,705
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 \$2,132,894 accumulated depreciation	1,049,936	
Computers, net of \$1,071,540 accumulated depreciation	19,556	
Automobiles, net of \$549,331 accumulated depreciation	<u>669,706</u>	
Total		2,150,865
Net pension asset and related deferrals are not due and payable and/or receivable in the current period, therefore, is not reported in governmental funds		
		2,455,997
Balance of Compensated Absences at June 30, 2024		
		<u>(203,754)</u>
Total Net Position of Governmental Activities		<u><u>\$ 10,536,813</u></u>

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Major Funds</u>					<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>CMC Grant Fund</u>	<u>Capital Projects Fund</u>	<u>Library Trustee Training Fund</u>	<u>Other Governmental Funds</u>	
REVENUES:						
State Grants:						
Area and Per Capita - State Allotment	\$ 3,260,130					\$ 3,260,130
Area and Per Capita - Federal Pass Through	659,722					659,722
Illinois State Library		\$ 665,700		\$ 269,900	\$ 168,532	1,104,132
Fees for Services and Material	262,593					262,593
Reimbursements	12,930					12,930
Investment Income	276,890		\$ 51,903			328,793
Other Revenue	127,834		13,072			140,906
Total Revenues	<u>\$ 4,600,099</u>	<u>\$ 665,700</u>	<u>\$ 64,975</u>	<u>\$ 269,900</u>	<u>\$ 168,532</u>	<u>\$ 5,769,206</u>
EXPENDITURES:						
Current:						
General Library Services:						
Personnel Service	\$ 3,107,353	\$ 574,748		\$ 126,804	\$ 136,288	\$ 3,945,193
Contractual Services	336,026	83,796		139,146	22,365	581,333
Supplies and Materials	620,873	7,156		3,950	9,879	641,858
Member Library Reimbursement Expense	13,474					13,474
Capital Outlay			\$ 595,569			595,569
Total Expenditures	<u>\$ 4,077,726</u>	<u>\$ 665,700</u>	<u>\$ 595,569</u>	<u>\$ 269,900</u>	<u>\$ 168,532</u>	<u>\$ 5,777,427</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 522,373	\$ 0	\$ (530,594)	\$ 0	\$ 0	\$ (8,221)
OTHER FINANCING SOURCES (USES):						
Proceeds from Sale of Assets	20,225		37,770			57,995
Transfers In (Out)	(793,928)		443,928			(350,000)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	\$ (251,330)	\$ 0	\$ (48,896)	\$ 0	\$ 0	\$ (300,226)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>5,462,965</u>	<u>26,202</u>	<u>945,407</u>	<u>0</u>	<u>(643)</u>	<u>6,433,931</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 5,211,635</u>	<u>\$ 26,202</u>	<u>\$ 896,511</u>	<u>\$ 0</u>	<u>\$ (643)</u>	<u>\$ 6,133,705</u>

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Net Change in Fund Balances - Total Governmental Funds	\$ (300,226)
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental Funds report the proceeds from the sale of capital assets as revenue whereas Governmental Activities reports the gain or loss on the sale of capital assets. This is the effect on the change in net position on the Statement of Activities.	(1,793)
Governmental Funds report capital outlays as expenditures while Governmental Activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlay exceeds depreciation expense in the current period.	354,050
Governmental funds report lease payments as expenditures while Governmental Activities report amortization expense on Right of Use Assets and interest expense on the SBITA lease liability to allocate those expenditures over the term of the lease. This is the amount by which the SBITA lease payments exceed the amortization and interest expense in the current period.	3,800
Changes in 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.	(31,592)
Changes in net pension asset/liability, deferred outflows and deferred inflows related to pension assets/liabilities are reported only in the Statement of Activities.	570,531
Change in Net Position of Governmental Activities	\$ 594,770

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2024

	<u>Computer Development Fund</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	
Current Assets:	
Cash and Cash Equivalents	\$ 2,197,168
Accounts Receivable	27,519
Prepaid Expenses	171,742
Due From Other Funds	1,647
Total Current Assets	<u>\$ 2,398,076</u>
Noncurrent Assets:	
Capital Assets:	
Depreciable Capital Assets	\$ 3,410,739
Accumulated Depreciation	(3,070,748)
Net Capital Assets	<u>\$ 339,991</u>
Amortizable Right-of-Use Assets	290,708
Accumulated Amortization	(52,856)
Net Right-of-Use Assets	<u>\$ 237,852</u>
Net Pension Asset	345,163
Total Noncurrent Assets	<u>\$ 923,006</u>
Total Assets	<u>\$ 3,321,082</u>
Deferred Outflows of Resources:	
Deferred Outflow from Pension Contribution	\$ 1,655,329
Total Deferred Outflows of Resources	<u>\$ 1,655,329</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 4,976,411</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION:	
Current Liabilities:	
Accounts Payable	\$ 16,055
Accrued Expenses and Unearned Revenue	45,799
Due to Other Funds	16
Total Current Liabilities	<u>\$ 61,870</u>
Long-Term Liabilities:	
Compensated Absences Payable	\$ 84,735
Subscription-based IT Software Liability	135,361
Total Long-Term Liabilities	<u>\$ 220,096</u>
Total Liabilities	<u>\$ 281,966</u>
Deferred Inflows of Resources:	
Deferred Inflows of Resources Related to Net Pension Asset	\$ 1,019,366
Total Deferred Inflows of Resources	<u>\$ 1,019,366</u>
Net Position:	
Net Investment in Capital and SBITA Assets	\$ 442,482
Unrestricted	3,232,596
Total Net Position	<u>\$ 3,675,079</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 4,976,411</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, 2024

	<u>Computer Development Fund</u>
OPERATING REVENUES:	
Charges for Services	\$ 1,580,514
Grant Administration and Facility Fees	30,259
Member Library Reimbursement Revenue	54,165
Total Operating Revenues	<u>\$ 1,664,938</u>
OPERATING EXPENSES:	
Personnel Services	\$ 1,194,607
Contractual Services	346,577
Supplies and Materials	209,814
Member Library Reimbursement Expense	53,665
Depreciation	79,577
Amortization	52,856
Change in Pension Expense	(244,513)
Total Operating Expenses	<u>\$ 1,692,583</u>
OPERATING INCOME (LOSS)	<u>\$ (27,645)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment Income	\$ 113,702
Interest Expense	(11,228)
Total Non-Operating Revenues (Expenses)	<u>\$ 102,474</u>
INCOME BEFORE TRANSFERS	\$ 74,829
Transfers In	<u>350,000</u>
CHANGE IN NET POSITION	\$ 424,829
NET POSITION - BEGINNING OF YEAR	<u>3,250,250</u>
NET POSITION - END OF YEAR	<u><u>\$ 3,675,079</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, 2024

	<u>Computer Development Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 1,650,033
Receipts from Interfund Services Provided	30,259
Payments to Vendors	(622,684)
Payments to Employees	(1,177,820)
Net Cash Provided by (Used in) Operating Activities	<u>\$ (120,212)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Operating Transfers From Other Funds	\$ 350,000
(Increase) Decrease in Due To Other Funds	(1,631)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>\$ 348,369</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Payments for Capital Acquisitions	\$ (555,571)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>\$ (555,571)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment Income	\$ 113,702
Net Cash Provided by (Used In) Investing Activities	<u>\$ 113,702</u>
NET DECREASE IN CASH	(213,712)
CASH, BEGINNING OF YEAR	<u>2,410,880</u>
CASH, END OF YEAR	<u><u>\$ 2,197,168</u></u>
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	
Net Operating Income (Loss)	\$ (27,645)
Adjustment to Reconcile Net Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	79,577
Amortization	52,856
(Increase) Decrease in Assets:	
Accounts Receivable	(2,019)
Prepaid Expenses	19,098
Deferred Outflows of Resources	573,238
Increase (Decrease) in Liabilities:	
Accounts Payable	(6,632)
Deferred Inflows of Resources	(307,976)
Net Pension Asset/Liability	(509,776)
Accrued Expenses	4,873
Unearned Revenue	(1,723)
Compensated Absences Payable	5,917
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	<u><u>\$ (120,212)</u></u>

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2024

	<u>SWAYS - Custodial Fund</u>	<u>OCLC - Custodial Fund</u>	<u>457(b) Plan - OPEB Trust Fund</u>	<u>Total</u>
ASSETS:				
Cash	\$ 1,865	\$ 3,056,780		\$ 3,058,645
Investments			\$ 325,736	325,736
Accounts Receivable		116,491		442,227
Total Assets	<u>\$ 1,865</u>	<u>3,173,271</u>	<u>\$ 325,736</u>	<u>\$ 3,500,872</u>
LIABILITIES				
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
NET POSITION				
Restricted for:				
Postemployment Benefits				
Due to Individuals			\$ 325,736	
Amounts Distributable to				
Other Agencies	\$ 1,865	\$ 3,173,271		\$ 3,500,872
Total Net Position	<u>\$ 1,865</u>	<u>\$ 3,173,271</u>	<u>\$ 325,736</u>	<u>\$ 3,500,872</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,865</u>	<u>\$ 3,173,271</u>	<u>\$ 325,736</u>	<u>\$ 3,500,872</u>

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	<u>SWAYS - Custodial Fund</u>	<u>OCLC - Custodial Fund</u>	<u>457(b) Plan - OPEB Trust Fund</u>	<u>Total</u>
ADDITIONS:				
Collections		\$ 5,512,851		\$ 5,512,851
Interest and Investment Income		24,263	\$ 61,811	86,073
Total Additions:	<u>\$ 0</u>	<u>\$ 5,537,114</u>	<u>\$ 61,811</u>	<u>\$ 5,598,925</u>
DEDUCTIONS:				
Distributions		\$ 5,361,845	\$ 11,850	\$ 5,373,694
Conferences and Meetings	\$ 300			300
Account Fees			2,570	2,570
Total Deductions:	<u>\$ 300</u>	<u>\$ 5,361,845</u>	<u>\$ 14,420</u>	<u>\$ 5,376,564</u>
CHANGE IN NET POSITION	\$ (300)	\$ 175,269	\$ 47,391	\$ 222,360
NET POSITION, BEGINNING OF YEAR	<u>\$ 2,165</u>	<u>\$ 2,998,002</u>	<u>\$ 278,345</u>	<u>\$ 3,278,512</u>
NET POSITION, END OF YEAR	<u>\$ 1,865</u>	<u>\$ 3,173,271</u>	<u>\$ 325,736</u>	<u>\$ 3,500,872</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, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

The definition of what constitutes the entity of the System is based on the guidelines set forth in GASB Statement No. 14, as amended by GASB Statement No. 61. The primary government of the System consists of the funds presented herein as governmental funds, a proprietary fund, and three fiduciary funds.

According to GASB Statement No. 14, as amended by Statement No. 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, 2024

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 funds. 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.
3. Management, at their discretion, may choose to report a fund as major.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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, 2024

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 Funds

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

Capital Projects Fund – 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.

Library Trustee Training Grant Fund – Grants from the Illinois State Library finance this fund, which acts as the fiscal agent for the trustee portal training program.

Non-Major Special Revenue Fund

The System's non-major special revenue fund is the OCLC Grant 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 custodial capacity for others and therefore cannot be used to support the System's own programs. The System has three fiduciary funds, the OCLC-Custodial Fund, which is used to account for funds held in trust for the ILLINET OCLC, Lewis and Clark Library System 457 Plan – Pension Trust, which is used to account for funds held in trust for participants that participated in the Lewis and Clark Library System when the organization was still in service, and SWAYS – Custodial Fund, which is used to account for funds from the Southwest Advocates for Youth Services.

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

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, 2024 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, 2024, 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, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets

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

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

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

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, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Program Revenues

Program Revenues on the statement of activities include the following:

Governmental Activities

Charges for Services	Fees paid by outside entities for the services provided by the General Fund
----------------------	---

Operating Grants and Contributions	Grants used to support operations
------------------------------------	-----------------------------------

Capital Grants and Contributions	Grants used to purchase equipment, vehicles, and other capital assets
----------------------------------	---

Business-type Activities

Charges for Services	Fees paid by outside entities for the automated library database services
----------------------	---

Operating Grants and Contributions	Grants used to support operations
------------------------------------	-----------------------------------

Capital Grants and Contributions	Grants used to purchase equipment and other capital assets
----------------------------------	--

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

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

M. Reimbursement Revenue

In the fund financial statements, the System has recorded \$69,830 of Reimbursements Revenue in the General Fund and Contractual Services Expenditures in various other funds 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, 2024

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.

P. New Accounting Pronouncements

Effective July 1, 2023, the System adopted the provisions of GASB Statement No. 100, *Accounting Changes and Error Corrections*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The System had no accounting changes or error corrections for the year ended June 30, 2024. The Library Trustee Training Grant Fund be reported as a major fund by the System for the year ended June 30, 2024. In prior years this fund had been reported as a non-major fund.

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.

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.

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 2. FUND BALANCE REPORTING (CONTINUED)

C. Committed Fund Balance

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

The System's Board commits fund balance by making motions or passing resolutions to adopt policy or to approve contracts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. There were no committed fund balances for the System as of June 30, 2024.

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.

E. Unassigned Fund Balance

The unassigned fund balance classification is the residual classification for amounts in the General Fund for amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund. In addition to the General Fund, negative balances in the governmental funds are reported as unassigned.

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, 2024

NOTE 2. FUND BALANCE REPORTING (CONTINUED)

Details of the System's fund balances as of June 30, 2024, are as follows:

	General Fund	CMC Grant Fund	Capital Projects Fund	Library Trustee Training Fund	Other Governmental Funds	Total
Non-spendable:						
Prepaid Expenses	\$ 221,363	\$ 5,449		\$ 1,533	\$ 5,172	\$ 233,517
Restricted:						
State Grants		20,753				20,753
Assigned:						
Capital Projects			\$ 896,511			896,511
Unassigned:	4,990,272			\$ (1,533)	(5,815)	4,982,924
Total Fund						
Balances (Deficit)	<u>\$ 5,211,635</u>	<u>\$ 26,202</u>	<u>\$ 896,511</u>	<u>\$ 0</u>	<u>\$ (643)</u>	<u>\$ 6,133,705</u>

The following non-major funds had a deficit fund balance at June 30, 2024: OCLC Grant Fund (\$643).

NOTE 3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The System is allowed to invest in securities as authorized by Illinois Compiled Statutes Chapter 30, Act 235, Section 2. This statute generally allows for investments in government securities, certificates of deposit, corporate obligations, and money market mutual funds.

Cash, cash equivalents, and investments as of June 30, 2024, are classified in the accompanying financial statements as follows:

	Governmental Funds	Proprietary Fund	Fiduciary Funds
Cash and Cash Equivalents	\$ 6,000,254	\$ 2,197,168	\$ 3,058,645
Investments - Mutual and Other Funds			325,736
	<u>\$ 6,000,254</u>	<u>\$ 2,197,168</u>	<u>\$ 3,384,381</u>

Cash, cash equivalents, and investments as of June 30, 2024, consisted of the following:

	Governmental Funds	Proprietary Fund	Fiduciary Funds
Demand Deposits/NOW Accounts with Financial Institutions	\$ 264,818	\$ 119,937	\$ 2,592,188
Illinois Funds	5,735,436	2,077,231	466,457
Lewis & Clark Library System 457(b) Plan - Mutual and Other Funds			325,736
	<u>\$ 6,000,254</u>	<u>\$ 2,197,168</u>	<u>\$ 3,384,381</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 3. CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

A. Custodial Credit Risk

Custodial credit risk for cash and cash equivalents 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 (e.g. broker-dealer) to a transaction, the System will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of June 30, 2024, none of the System's cash or cash equivalents were considered to be uninsured or uncollateralized. As of June 30, 2024, the System had investments in securities held in Fiduciary Funds for the Lewis & Clark Library System 457(b) Plan of \$250,000, which were covered by SIPC and \$75,736, which were uninsured.

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 total balance in the System's state investment pool as of June 30, 2024, was \$8,279,124 for governmental, proprietary, and fiduciary funds. The System's investment in the state investment pool is reported at cost which estimate fair value.

B. 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. The system had no investments susceptible to interest rate risk as of June 30, 2024.

C. 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. As of June 30, 2024, the System has \$8,279,124 deposited into accounts with the Illinois Funds. The investment pool has earned Standard and Poor's highest rating (AAA).

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 3. CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

As of June 30, 2024, the System had the following investments. Ratings, where applicable, were rated by Morningstar:

	<u>Fiduciary Funds</u>	<u>Rating</u>
NCIT Large Cap Growth B	\$ 84,493	★★★★
NCIT ClearbridgeLarge Cap Value B	65,212	★★★
Nationwide Large Cap Growth	1,287	N/A
SEI S&P 500 Index	174,744	★★★★
	<u>\$ 325,736</u>	

D. Fair Value Hierarchy

The System categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significantly unobservable inputs. Level 3 investments are not mutual funds and their performance cannot be obtained through public resources. The value is tracked by the portfolio manager and was obtained from the June 30, 2024 quarterly statement.

As of June 30, 2024, the System's investments were categorized as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Not Requiring Leveling</u>
Mutual Funds				
NCIT Large Cap Growth B	\$ 84,493			
NCIT ClearbridgeLarge Cap Value B	65,212			
SEI S&P 500 Index	174,744			
Other Investments				
Nationwide Large Cap Growth			\$ 1,287	
	<u>\$ 324,449</u>	<u>\$ 0</u>	<u>\$ 1,287</u>	<u>\$ 0</u>

NOTE 4. RECEIVABLES

At June 30, 2024, receivables were as follows for the governmental activities and governmental funds:

	<u>Receivables</u>
State Grant	\$ 73,606
Member Libraries	26,050
Total	<u>\$ 99,656</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 4. RECEIVABLES (CONTINUED)

At June 30, 2024, receivables were as follows for the business-type activities and enterprise fund:

	<u>Receivables</u>
Member Libraries	<u>\$ 27,519</u>
Total	<u>\$ 27,519</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, 2024:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets, Not Being Depreciated				
Land	\$ 411,667			\$ 411,667
Total Capital Assets, Not Being Depreciated	\$ 411,667	\$ 0	\$ 0	\$ 411,667
Capital Assets, Being Depreciated				
Automobiles	\$ 996,582	\$ 444,969	\$ 222,517	\$ 1,219,034
Buildings and Improvements	3,032,230	150,600		3,182,830
Equipment and Other	2,003,721			2,003,721
Furniture and Fixtures	391,590			391,590
Computers	1,091,099			1,091,099
Total Capital Assets, Being Depreciated	\$ 7,515,222	\$ 595,569	\$ 222,517	\$ 7,888,274
Less Accumulated Depreciation:				
Automobiles	\$ 631,147	\$ 138,908	\$ 220,724	\$ 549,331
Buildings and Improvements	2,034,658	98,236		2,132,894
Equipment and Other	2,003,721			2,003,721
Furniture and Fixtures	391,590			391,590
Computers	1,067,165	4,375		1,071,540
Total Accumulated Depreciation	\$ 6,128,281	\$ 241,519	\$ 220,724	\$ 6,149,076
Total Capital Assets Being Depreciated, Net Governmental Activities Capital Assets, Net	\$ 1,386,941	\$ 354,050	\$ 1,793	\$ 1,739,198
	\$ 1,798,608	\$ 354,050	\$ 1,793	\$ 2,150,865

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 5. CAPITAL ASSETS (CONTINUED)

Current year depreciation expense was charged to the following function:

General Library Services	<u>\$ 241,520</u>
Total Depreciation	<u>\$ 241,520</u>

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, 2024:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital Assets, Being Depreciated				
Equipment	\$ 1,679,402			\$ 1,679,402
Computers	1,342,341	\$ 388,996		1,731,337
Total Capital Assets, Being Depreciated	<u>\$ 3,021,743</u>	<u>\$ 388,996</u>	<u>\$ 0</u>	<u>\$ 3,410,739</u>
Right-of-Use Assets, Being Amortized				
Subscription Software		\$ 290,708		\$ 290,708
Total Right-of-Use Assets, Being Amortized	<u>\$ 0</u>	<u>\$ 290,708</u>	<u>\$ 0</u>	<u>\$ 290,708</u>
Less Accumulated Depreciation and Amortization:				
Equipment	\$ 1,679,402			\$ 1,679,402
Computers	1,311,769	\$ 79,577		1,391,346
Total Accumulated Depreciation	<u>\$ 2,991,171</u>	<u>\$ 79,577</u>	<u>\$ 0</u>	<u>\$ 3,070,748</u>
Subscription Software Total Accumulated Amortization	<u>\$ 0</u>	<u>\$ 52,856</u>	<u>\$ 0</u>	<u>\$ 52,856</u>
Total Capital Assets Being Depreciated and Amortized, Net	<u>\$ 30,572</u>	<u>\$ 547,271</u>	<u>\$ 0</u>	<u>\$ 577,843</u>
Enterprise Activities Capital Assets, Net	<u>\$ 30,572</u>	<u>\$ 547,271</u>	<u>\$ 0</u>	<u>\$ 577,843</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 5. CAPITAL ASSETS (CONTINUED)

Current year depreciation and amortization expense was charged to the following function:

Computer Development	\$ 132,433
Total Depreciation and Amortization	<u>\$ 132,433</u>

NOTE 6. 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, 2024:

	June 30, 2023	Increases	Decreases	June 30, 2024	Due Within One Year
Accrued					
Compensated Absences	<u>\$ 172,162</u>	<u>\$ 31,592</u>	<u>\$ 0</u>	<u>\$ 203,754</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, 2024:

	June 30, 2023	Increases	Decreases	June 30, 2024	Due Within One Year
Accrued					
Compensated Absences	\$ 78,819	\$ 5,916	\$ 0	\$ 84,735	
Subscription Liabilities		193,508	58,147	135,361	
Totals	<u>\$ 78,819</u>	<u>\$ 199,424</u>	<u>\$ 58,147</u>	<u>\$ 220,096</u>	<u>\$ 0</u>

Subscription-Based Information Technology Arrangements

The System has various subscription-based information technology arrangements (SBITAs) for software platforms used in the Computer Development Fund, the terms of which expire in various years through June 30, 2027.

The following schedule represents the principal and interest required by year under SBITAs as of June 30, 2024:

Year Ending June 30	Principal	Interest	Total
2025			
2026	\$ 62,425	\$ 11,950	\$ 74,375
2027	72,936	6,439	79,375
2028			
2029			
	<u>\$ 135,361</u>	<u>\$ 18,389</u>	<u>\$ 153,750</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables at June 30, 2024, are summarized below:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Major Governmental Funds		
General Fund	\$ 68,654	
CMC Grant Fund		\$ 3,306
Library Trustee Training Grant Fund		66,975
Total Major Governmental Funds	<u>\$ 68,654</u>	<u>\$ 70,281</u>
Non-Major Governmental Funds		
OCLC Fund		\$ 4
Total Non-Major Governmental Funds	<u>\$ 0</u>	<u>\$ 4</u>
Major Proprietary Funds		
Computer Development Fund	\$ 1,647	\$ 16
Total Proprietary Funds	<u>\$ 1,647</u>	<u>\$ 16</u>
Total for all Governmental and Proprietary Funds	<u>\$ 70,301</u>	<u>\$ 70,301</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, 2024, are summarized below:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Governmental Funds		
General Fund		\$ 793,928
Capital Project Fund	\$ 443,928	
Total Major Governmental Funds	<u>\$ 443,928</u>	<u>\$ 793,928</u>
Major Proprietary Funds		
Computer Development Fund	\$ 350,000	
Total Proprietary Funds	<u>\$ 350,000</u>	<u>\$ 0</u>
Total for all Governmental and Proprietary Funds	<u>\$ 793,928</u>	<u>\$ 793,928</u>

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 8. 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 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).

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, 2023, the following employees were covered by the Plan:

Active Employees	63
Inactive employees or beneficiaries currently receiving benefits	229
Inactive employees entitled to but not yet receiving benefits	<u>69</u>
Total	<u>361</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 2023 was 0.96 percent. For the fiscal year ended June 30, 2024, the System contributed \$35,775 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.

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Class	Target Allocation	Return 12/31/2023	Projected Returns/Risk	
			One Year Arithmetic	Ten Year Geometric
Equities	34.50%	23.30%	6.35%	5.00%
International Equities	18.00%	19.64%	8.00%	6.35%
Fixed Income	24.50%	7.62%	4.85%	4.75%
Real Estate	10.50%	-4.15%	7.20%	6.30%
Alternatives	11.50%	2.60%		
Private Equity		N/A	12.35%	8.65%
Hedge Funds		N/A	N/A	N/A
Commodities		N/A	7.20%	6.05%
Cash Equivalents	1.00%	5.23%	3.80%	3.80%
Total	<u>100.00%</u>			

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

1. The long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is project 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 plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.25%, the municipal bond rate is 3.77%, and the resulting single discount rate is 7.25%.

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in System's Net Pension Liability. Changes in the System's net pension liability for the year ended December 31, 2023, were as follows:

	Total Pension Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance, December 31, 2022	\$ 34,554,412	\$ 34,168,790	\$ 385,622
Changes for the year:			
Service Cost	292,071		292,071
Interest	2,421,456		2,421,456
Difference between expected and actual experience	296,562		296,562
Changes in assumptions	(40,241)		(40,241)
Contributions-employees		157,431	(157,431)
Contributions- employer		33,584	(33,584)
Net investment income		3,932,880	(3,932,880)
Benefit payments including refunds of employee Contributions	(2,602,104)	(2,602,104)	0
Other (Net Transfer)		545,201	(545,201)
Net Changes	\$ 367,744	\$ 2,066,992	\$ (1,699,248)
Balance, December 31, 2023	\$ 34,922,156	\$ 36,235,782	\$ (1,313,626)

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

	<u>Discount Rate</u>	<u>Net Pension Liability (Asset)</u>
1% decrease	6.25%	\$ 1,950,235
Current discount rate	7.25%	(1,313,626)
1% increase	8.25%	(4,035,386)

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, 2024, the System recognized pension income of \$815,044. At June 30, 2024, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 86,010	
Changes of assumptions		\$ 11,671
Net difference between projected and actual earnings on Plan investments	5,514,817	3,483,872
Contributions after Measurement Date	18,214	
Total	\$ 5,619,041	\$ 3,495,543

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

	Year ending December 31,
2024	201,374
2025	693,166
2026	1,533,615
2027	(304,657)
2028	0
Thereafter	0
Total	\$ 2,123,498

NOTE 9. PENSION PLAN

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 10. OTHER POST EMPLOYMENT BENEFITS

The System currently offers two post-employment benefits to retirees. Those benefits are 1) continuation of participation in the System's health insurance plan as required by law for a period of 18 months (COBRA coverage) and 2) retiree continuation of health insurance coverage on the System's plan beyond the COBRA period. In relation to both of these benefits, the retiree pays 100% of their own premium cost. As of June 30, 2024, no retirees were covered under COBRA coverage and no retirees were currently participating in the health insurance coverage. There were five employees participating in the dental and vision plan, which the retirees were required to pay 100% of their own premium cost. Due to the limited number of participants in the plan, and the insignificance of the cost incurred by the System, no Other Post Employment Benefit's liability has been recorded as of June 30, 2024.

NOTE 11. 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, 2024, total charges for services revenue earned from these organizations was \$168,868.

NOTE 12. RISK OF LOSS

Significant losses are covered by commercial insurance for property, liability, and workers compensation. During the year ended June 30, 2024, 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 13. CONCENTRATION OF REVENUE

For the year ended June 30, 2024, 66.5% 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 14. 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 15. EXCESS OF EXPENDITURES OVER BUDGET

There were no major funds that had excess expenditures over budget for the fiscal year ended June 30, 2024.

NOTE 16. SUBSEQUENT EVENTS

Management has evaluated the effect of subsequent events on the financial statements through September 5, 2024, which is the date the financial statements were available to be issued.

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Budget</u>		<u>Actual</u>	<u>Over/(Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
State Grants:				
Area and Per Capita - State Allotment	\$ 3,260,130	\$ 3,260,130	\$ 3,260,130	
Area and Per Capita - Federal Pass Through	659,722	659,722	659,722	
Fees for Services and Material	266,473	266,473	262,593	\$ (3,880)
Reimbursements	3,715	3,715	12,930	9,215
Investment Income	88,253	88,253	276,890	188,637
Other Revenue	91,435	91,435	127,834	36,399
Total Revenues	<u>\$ 4,369,728</u>	<u>\$ 4,369,728</u>	<u>\$ 4,600,099</u>	<u>\$ 230,371</u>
EXPENDITURES:				
Current:				
General Library Services:				
Personnel Service	\$ 3,334,084	\$ 3,334,084	\$ 3,107,353	\$ (226,731)
Contractual Services	419,202	419,202	336,026	(83,176)
Supplies and Materials	769,431	769,431	620,873	(148,558)
Member Library Reimbursement Expense	3,715	3,715	13,474	9,759
Total Expenditures	<u>\$ 4,526,432</u>	<u>\$ 4,526,432</u>	<u>\$ 4,077,726</u>	<u>\$ (448,706)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>\$ (156,704)</u>	<u>\$ (156,704)</u>	<u>\$ 522,373</u>	<u>\$ 679,077</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets			20,225	20,225
Transfers Out	<u>(350,000)</u>	<u>(773,703)</u>	<u>(793,928)</u>	<u>(20,225)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)				
	<u>\$ (506,704)</u>	<u>\$ (930,407)</u>	<u>\$ (251,330)</u>	<u>\$ 679,077</u>
FUND BALANCE - BEGINNING OF YEAR			<u>5,462,965</u>	
FUND BALANCE - END OF YEAR			<u>\$ 5,211,635</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, 2024

	<u>Budget</u>		<u>Actual</u>	<u>Over/(Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
State Grants:				
Illinois State Library	\$ 686,693	\$ 686,693	\$ 665,700	\$ (20,993)
Total Revenues	<u>\$ 686,693</u>	<u>\$ 686,693</u>	<u>\$ 665,700</u>	<u>\$ (20,993)</u>
EXPENDITURES:				
Current:				
General Library Services:				
Personnel Service	\$ 595,048	\$ 595,048	\$ 574,748	\$ (20,300)
Contractual Services	84,958	84,958	83,796	(1,162)
Supplies and Materials	6,687	6,687	7,156	469
Total Expenditures	<u>\$ 686,693</u>	<u>\$ 686,693</u>	<u>\$ 665,700</u>	<u>\$ (20,993)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 0</u>	<u>\$ 0</u>	\$ 0	<u>\$ 0</u>
FUND BALANCE - BEGINNING OF YEAR			<u>26,202</u>	
FUND BALANCE - END OF YEAR			<u>\$ 26,202</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, 2024

	Budget		Actual	Over/(Under) Final Budget
	Original	Final		
REVENUES:				
Investment Income	\$ 23,686	\$ 23,686	\$ 51,903	\$ 28,217
Other Revenue			13,072	13,072
Total Revenues	<u>\$ 23,686</u>	<u>\$ 23,686</u>	<u>\$ 64,975</u>	<u>\$ 41,289</u>
EXPENDITURES:				
Capital Outlay	\$ 589,700	\$ 639,700	\$ 595,569	\$ (44,131)
Total Expenditures	<u>\$ 589,700</u>	<u>\$ 639,700</u>	<u>\$ 595,569</u>	<u>\$ (44,131)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (566,014)	\$ (616,014)	\$ (530,594)	\$ (85,420)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets			37,770	37,770
Transfers from Other Funds		423,703	443,928	20,225
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>\$ (566,014)</u>	<u>\$ (192,311)</u>	\$ (48,896)	<u>\$ (143,415)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>945,407</u>	
FUND BALANCE - END OF YEAR			<u>\$ 896,511</u>	

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
LIBRARY TRUSTEE TRAINING FUND - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Budget</u>		<u>Actual</u>	<u>Over/(Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Illinois State Library	\$ 269,900	\$ 269,900	\$ 269,900	
Total Revenues	<u>\$ 269,900</u>	<u>\$ 269,900</u>	<u>\$ 269,900</u>	<u>\$ 0</u>
EXPENDITURES:				
General Library Services:				
Personnel	\$ 129,058	\$ 125,181	\$ 126,804	\$ 1,623
Contractual Services	138,692	142,569	139,146	(3,423)
Supplies and Materials	2,150	2,150	3,950	1,800
Total Expenditures	<u>\$ 269,900</u>	<u>\$ 269,900</u>	<u>\$ 269,900</u>	<u>\$ 0</u>
EXCESS (DEFICIENCY) OF				
REVENUES OVER EXPENDITURES	<u>\$ 0</u>	<u>\$ 0</u>	\$ 0	<u>\$ 0</u>
FUND BALANCE - BEGINNING OF YEAR			<u>0</u>	
FUND BALANCE - END OF YEAR			<u>\$ 0</u>	

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024

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 presents monthly/quarterly reports 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 OCLC Grant, which is derived from the grant budget.

C. Amendments to the Budget

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

D. Budgetary Basis of Accounting

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

E. Encumbrances

Encumbrance accounting is not used by the System.

F. Expenditures Over Budget

There were no major funds that had excess expenditures over budget or total grant awarded for the fiscal year ended June 30, 2024.

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,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service Cost	\$ 292,071	\$ 253,687	\$ 220,516	\$ 228,448	\$ 224,615	\$ 179,185	\$ 186,886	\$ 240,821	\$ 208,201	\$ 235,055
Interest on the Total Pension Liability	2,421,456	2,368,278	2,363,963	2,370,681	2,333,691	2,318,785	2,331,743	2,314,570	2,234,972	2,109,609
Benefit Changes	0	0	0	0	0	0	0	0	0	0
Difference between Expected and Actual Experience	296,562	668,797	(48,565)	(37,780)	368,851	337,494	504,869	(214,774)	616,002	139,024
Assumption Changes	(40,241)	0	0	(204,627)	0	736,512	(997,797)	0	0	1,138,977
Benefit Payments and Refunds	(2,602,104)	(2,550,820)	(2,435,149)	(2,455,681)	(2,382,045)	(2,263,936)	(2,125,298)	(2,044,060)	(1,984,300)	(1,891,157)
Net Change in Total Pension Liability	367,744	739,942	100,765	(98,959)	545,112	1,308,040	(99,597)	296,557	1,074,875	1,731,508
Total Pension Liability - Beginning	34,554,412	33,814,470	33,713,705	33,812,664	33,267,552	31,959,512	32,059,109	31,762,552	30,687,677	28,956,169
Total Pension Liability - Ending (a)	\$ 34,922,156	\$ 34,554,412	\$ 33,814,470	\$ 33,713,705	\$ 33,812,664	\$ 33,267,552	\$ 31,959,512	\$ 32,059,109	\$ 31,762,552	\$ 30,687,677
Plan Fiduciary Net Position										
Employer Contributions	\$ 33,584	\$ 27,231	\$ 103,134	\$ 183,339	\$ 40,470	\$ 177,666	\$ 202,868	\$ 273,509	\$ 325,404	\$ 442,904
Employee Contributions	157,431	140,853	117,027	110,564	108,703	93,727	84,381	94,367	132,256	91,501
Pension Plan Net Investment Income	3,932,880	(6,173,137)	6,915,910	5,435,425	6,374,681	(2,365,486)	5,935,957	2,104,214	152,703	1,819,805
Benefit Payments and Refunds	(2,602,104)	(2,550,820)	(2,435,149)	(2,455,681)	(2,382,045)	(2,263,936)	(2,125,298)	(2,044,060)	(1,984,300)	(1,891,157)
Other	545,201	(194,806)	(637,457)	(340,144)	245,524	889,733	(663,474)	506,944	704,141	329,556
Net Change in Plan Fiduciary Net Position	2,066,992	(8,750,679)	4,063,465	2,933,503	4,387,333	(3,468,296)	3,434,434	934,974	(669,796)	792,609
Plan Fiduciary Net Position - Beginning	34,168,790	42,919,469	38,856,004	35,922,501	31,535,168	35,003,464	31,569,030	30,634,056	31,303,852	30,511,243
Plan Fiduciary Net Position - Ending (b)	\$ 36,235,782	\$ 34,168,790	\$ 42,919,469	\$ 38,856,004	\$ 35,922,501	\$ 31,535,168	\$ 35,003,464	\$ 31,569,030	\$ 30,634,056	\$ 31,303,852
Net Pension Liability/(Asset) -Ending (a)-(b)	(1,313,626)	385,622	(9,104,999)	(5,142,299)	(2,109,837)	1,732,384	(3,043,952)	490,079	1,128,496	(616,175)
Plan Fiduciary Net Position as a Percentage										
of Total Pension Liability	103.76%	98.88%	126.93%	115.25%	106.24%	94.79%	109.52%	98.47%	96.45%	102.01%
Covered Valuation Payroll	\$ 3,498,457	\$ 3,130,052	\$ 2,600,594	\$ 2,338,492	\$ 2,269,397	\$ 2,082,826	\$ 1,800,090	\$ 2,018,517	\$ 2,245,715	\$ 1,892,045
Net Pension Liability as a Percentage										
of Covered Valuation Payroll	(37.55%)	12.32%	(350.11%)	(219.90%)	(92.97%)	83.17%	(169.10%)	24.28%	50.25%	(32.57)%

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</u> <u>Valuation Payroll</u>
2014	\$ 396,383	\$ 442,904	\$ (46,521)	\$ 1,892,045	23.41%
2015	325,404	325,404	0	2,245,715	14.49%
2016	273,509	273,509	0	2,018,517	13.55%
2017	188,289	202,868	(14,579)	1,800,090	11.27%
2018	177,665	177,666	(1)	2,082,826	8.53%
2019	18,609	40,470	(21,861)	2,269,397	1.78%
2020	183,338	183,339	(1)	2,338,492	7.84%
2021	97,002	103,134	(6,132)	2,600,594	3.97%
2022	27,231	27,231	0	3,130,052	0.87%
2023	33,585	33,584	1	3,498,457	0.96%

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE SCHEDULE OF CONTRIBUTIONS
SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS
USED IN THE CALCULATION OF THE 2023 CONTRIBUTION RATE

Valuation Date:

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

Methods and Assumptions Used to Determine 2023 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): 20-year closed period. Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 15 years for most employers (five employers were financed over 16 years; one employer were financed over 17 years; two employers were financed over 18 years; one employer were financed over 21 years; three employers were financed over 24 years; four employers were financed over 25 years and one employer was financed over 26 years).
Asset Valuation Method	5-Year smoothed market; 20% corridor
Wage Growth	2.75%
Price Inflation	2.25%
Salary Increases	2.75% to 13.75% including inflation
Investment Rate of Return	7.25%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2020 valuation pursuant to an experience study of the period 2017-2019.
Mortality	For non-disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 106%) and Female (adjusted 105%) tables, and future mortality improvements projected using scale MP-2020. For disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020. For active members, the Pub-2010, Amount Weighted, below-median income, General, Employee, male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.

Other Information:

Notes There were no benefit changes during the year.

*Based on Valuation Assumptions used in the December 31, 2021 actuarial valuation

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Budget		Actual
	Original	Final	
REVENUES:			
State Grants:			
Area and Per Capita - State Allotment	\$ 3,260,130	\$ 3,260,130	\$ 3,260,130
Area and Per Capita - Federal Pass Through	659,722	659,722	659,722
Fees for Services and Material	266,473	266,473	262,593
Reimbursements	3,715	3,715	12,930
Investment Income	88,253	88,253	276,890
Other Revenue	91,435	91,435	127,834
Total Revenues	<u>\$ 4,369,728</u>	<u>\$ 4,369,728</u>	<u>\$ 4,600,099</u>
EXPENDITURES:			
General Library Services:			
Personnel			
Salaries and Wages	\$ 2,603,404	\$ 2,603,404	\$ 2,532,727
Payroll Taxes and Fringe Benefits	708,020	708,020	553,385
Recruiting	5,600	5,600	9,927
Training and Professional Development	17,060	17,060	11,314
Contractual Services			
Contractual Agreements	82,216	82,216	62,423
Travel, Meetings, and Continuing Education for Staff and Board	76,935	76,935	31,395
Professional Services	33,625	33,625	34,425
Consulting	36,600	36,600	36,519
Contractual Staff	41,750	41,750	39,159
Liability Insurance	20,845	20,845	21,408
Telephone and Telecommunications	28,485	28,485	25,980
Conferences and Continuing Education Meetings	46,500	46,500	50,283
Professional Association Membership Dues	9,491	9,491	7,646
Public Relations	42,755	42,755	26,788
Supplies and Materials			
Computer Supplies	43,735	43,735	29,785
General Office Supplies and Equipment	20,635	20,635	13,730
Postage	575	575	646
Delivery Supplies	19,550	19,550	24,822
Buildings and Grounds	269,190	269,190	216,787
Vehicle Expenses	404,707	404,707	324,895
Miscellaneous	4,920	4,920	5,030
Equipment Rental, Repair, and Maintenance	6,119	6,119	5,178
Member Library Reimbursement Expense	3,715	3,715	13,474
Total Expenditures	<u>\$ 4,526,432</u>	<u>\$ 4,526,432</u>	<u>\$ 4,077,726</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (156,704)	\$ (156,704)	\$ 522,373
OTHER FINANCING SOURCES (USES):			
Proceeds from Sale of Assets			20,225
Transfers Out	(350,000)	(773,703)	(793,928)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>\$ (506,704)</u>	<u>\$ (930,407)</u>	\$ (251,330)
FUND BALANCE - BEGINNING OF YEAR			5,462,965
FUND BALANCE - END OF YEAR			<u>\$ 5,211,635</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, 2024

	Budget		Actual
	Original	Final	
REVENUES:			
State Grants:			
Illinois State Library	\$ 686,693	\$ 686,693	\$ 665,700
Total Revenues	<u>\$ 686,693</u>	<u>\$ 686,693</u>	<u>\$ 665,700</u>
EXPENDITURES:			
General Library Services:			
Personnel	\$ 595,048	\$ 595,048	\$ 574,748
Contractual Services			
Contractual Agreements	68,113	68,113	60,535
Travel, Meetings, and Continuing Education for Staff and Board	8,499	8,499	7,752
Professional Services			4,616
Professional Association Membership Dues	1,560	1,560	1,982
Telephone and Telecommunications	4,836	4,836	4,589
Public Relations	1,950	1,950	4,322
Supplies and Materials			
Computer Supplies	4,800	4,800	4,072
Supplies, Postage and Printing	200	200	1,379
Vehicle Expenses	100	100	83
Equipment Rental, Repair, and Maintenance	1,587	1,587	1,622
Total Expenditures	<u>\$ 686,693</u>	<u>\$ 686,693</u>	<u>\$ 665,700</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 0</u>	<u>\$ 0</u>	\$ 0
FUND BALANCE - BEGINNING OF YEAR			<u>26,202</u>
FUND BALANCE - END OF YEAR			<u>\$ 26,202</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
OCLC GRANT FUND - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Budget		Actual
	Original	Final	
REVENUES:			
State Grants:			
Illinois State Library	\$ 168,532	\$ 168,532	\$ 168,532
Total Revenues	<u>\$ 168,532</u>	<u>\$ 168,532</u>	<u>\$ 168,532</u>
EXPENDITURES:			
General Library Services:			
Personnel	\$ 136,605	\$ 136,605	\$ 136,288
Contractual Services			
Contractual Agreements	20,857	20,857	15,339
Professional Services	1,545	1,545	4,360
Professional Association Membership Dues			590
Telephone & Telecommunication	2,143	2,143	2,076
Supplies and Materials			
Computer Supplies			5,457
Equipment Rental, Repair, and Maintenance	3,651	3,651	3,035
Supplies, Postage and Printing	3,731	3,731	1,387
Total Expenditures	<u>\$ 168,532</u>	<u>\$ 168,532</u>	<u>\$ 168,532</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 0</u>	<u>\$ 0</u>	\$ 0
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR			<u>(643)</u>
FUND BALANCE (DEFICIT) - END OF YEAR			<u>\$ (643)</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
LIBRARY TRUSTEE TRAINING FUND - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Budget		Actual
	Original	Final	
REVENUES:			
Illinois State Library	\$ 269,900	\$ 269,900	\$ 269,900
Total Revenues	\$ 269,900	\$ 269,900	\$ 269,900
EXPENDITURES:			
General Library Services:			
Personnel	\$ 129,058	\$ 125,181	\$ 126,804
Contractual Services			
Contractual Agreements	91,200	101,800	47,685
Travel, Meetings, and Continuing Education for Staff and Board	10,198	3,475	3,280
Professional Services	29,400	29,400	80,929
Professional Association Membership Dues			150
Telephone and Telecommunications	384	384	409
Public Relations	7,510	7,510	6,693
Supplies and Materials			
Supplies, Postage, and Printing	1,650	1,650	3,874
Vehicle Expenses	500	500	76
Total Expenditures	\$ 269,900	\$ 269,900	\$ 269,900
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 0	\$ 0	\$ 0
FUND BALANCE - BEGINNING OF YEAR			0
FUND BALANCE - END OF YEAR			\$ 0

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Budget</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
REVENUES:			
Investment Income	\$ 23,686	\$ 23,686	\$ 51,903
Other Revenue			13,072
Total Revenues	<u>\$ 23,686</u>	<u>\$ 23,686</u>	<u>\$ 64,975</u>
EXPENDITURES:			
Capital Outlay	\$ 589,700	\$ 639,700	\$ 595,569
Total Expenditures	<u>\$ 589,700</u>	<u>\$ 639,700</u>	<u>\$ 595,569</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (566,014)	\$ (616,014)	\$ (530,594)
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Assets			37,770
Transfers from Other Funds		423,703	443,928
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>\$ (566,014)</u>	<u>\$ (192,311)</u>	\$ (48,896)
FUND BALANCE - BEGINNING OF YEAR			<u>945,407</u>
FUND BALANCE - END OF YEAR			<u>\$ 896,511</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

Federal Grantor Agency/Program Pass-Through Grantor Title/Grant Name	Federal AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
National Endowment for the Humanities			
Institute of Museum and Library Services Discretionary Awards			
Grants to States Program			
<i>Passed through the Illinois State Library</i>			
Operating Grant	45.310	N/A	\$ 659,722
Library Trustee Training Grant	45.310	N/A	<u>269,900</u>
Total Expenditures of Federal Awards			<u><u>\$ 929,622</u></u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024

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, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Illinois Heartland Library System, it is not intended to and does not present the financial position, changes in net position, or cash flows of Illinois Heartland Library System.

Basis of Accounting

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

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

Noncash Assistance, Federal Insurance and Loans/Loan Guarantees

Illinois Heartland Library System did not receive any noncash assistance, federal guaranteed loans or federal insurance for any of its programs for the year ended June 30, 2024.

Subrecipient Monitoring

Illinois Heartland Library System did not pass through any of its federal funds to subrecipients during the year ended June 30, 2024.

Indirect Cost Rate

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report Issued: Unmodified

Internal Control Over Financial Reporting:

Material Weaknesses Identified? No

Significant Deficiencies Identified That Are Not Considered to Be Material Weaknesses? Yes
See 2024-01

Noncompliance Material to Financial Statements Noted? No

Federal Awards

Internal Control Over Major Programs:

Material Weaknesses Identified? No

Significant Deficiencies Identified That Are Not Considered To Be Material Weaknesses? No

Type of Auditor's Report Issued On Compliance For Major Programs: Unmodified

Audit Findings Required to be Reported in Accordance with 2 CFR section 200.516(a): No

Major Programs

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

Dollar Threshold Used To Determine Between Type A and Type B Programs: \$750,000

Auditee does not qualify as a low-risk auditee.

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024

FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 2024-1 – Internal Control over Financial Statements

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

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

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

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

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

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

FINDING – FINANCIAL STATEMENT AUDIT

Finding 2023-1 – Internal Control over Financial Statements

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

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

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

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

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

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



Illinois Heartland Library System

September 5, 2024

CORRECTIVE ACTION PLAN

Illinois State Library

The Illinois Heartland Library System respectfully submits the following corrective action plan for the year ended June 30, 2024.

Name and address of independent public accounting firm:

Scheffel Boyle
322 State Street
Alton, IL 62002

Audit Period: For the Year Ended June 30, 2024

The findings from the June 30, 2024, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS - FINANCIAL STATEMENT AUDIT

Significant Deficiency

2024-1

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

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


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

IMAGINING TOMORROW, DELIVERING POSSIBILITIES TODAY!

1840 Innovation Drive, Carbondale, IL 62903 • 618.985.3711
1704 West Interstate Drive, Champaign, IL 61822 • 217.352.0047
6725 Goshen Road, Edwardsville, IL 62025 • 618.655.3216
www.illinoisheartland.org • 618.656.3216 Main • 618.656.9401 Fax

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

Sincerely yours,


Leslie Bednar, Executive Director


Rhonda Johnisee, Finance Director

ILLINOIS HEARTLAND LIBRARY SYSTEM

AGREED UPON PROCEDURES

JUNE 30, 2024



ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON

September 17, 2024

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Illinois Heartland Library System
6725 Goshen Road
Edwardsville, Illinois 62025

We have performed the procedures enumerated on the attached page, which were agreed to by the Board of Directors of Illinois Heartland Library System, for the year ended June 30, 2024. Illinois Heartland Library System's management is responsible for the System's Online Computer Library Center (OCLC) fiduciary activity and accounting records.

Illinois Heartland Library System has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of this engagement. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

We were engaged by Illinois Heartland Library System to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review engagement, the objective of is the expression of an opinion or conclusion, respectively, on Illinois Heartland Library System's Online Computer Library Center (OCLC) fiduciary activity and accounting records. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Illinois Heartland Library System and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Board of Directors and management of Illinois Heartland Library System and is not intended to be and should not be used by anyone other than these specified parties.

Alton, Illinois

ILLINOIS HEARTLAND LIBRARY SYSTEM
AGREED-UPON PROCEDURES

Our engagement consisted of performing the following agreed-upon procedures:

1. Examine bank reconciliations and bank statements for the year ended June 30, 2024 and trace the book balances to the financial statements and/or trial balance.

No exceptions were found as a result of performing this procedure.

2. Confirm the June 30th bank balances for the fiscal year 2024 with the financial institutions.

No exceptions were found as a result of performing this procedure.

3. Select a sample of disbursements which comprises at least 25% of the total dollar value of disbursements for the year ended June 30, 2024, and examine the cancelled check and invoice or other supporting documentation for each such disbursement selected. Verify that each disbursement is a valid disbursement of OCLC activity.

No exceptions were found as a result of performing this procedure.

4. Select a sample of receipts which comprises at least 25% of the total dollar value of receipts for the year ended June 30, 2024, and trace each receipt to a deposit slip and corresponding bank statement and examine any supporting documentation accompanying the receipt (e.g. letter, check stub, copy of check, etc.) noting agreement.

No exceptions were found as a result of performing this procedure.

5. Trace the receipts and disbursements tested to the ledger.

No exceptions were found as a result of performing this procedure.