



Illinois Heartland Library System



ILLINOIS HEARTLAND LIBRARY SYSTEM

FY2023 ANNUAL REPORT

*for submission to the
Illinois State Library*

Imagining Tomorrow — Delivering Possibilities Today

23 Ill. Adm. Code 3030.270 Part B Multitype Library System Annual System Report

FY2023 Cover Sheet

1. **Narrative Report**
2. **Financial Report**
 - 2.1 FY2023 System Audit
 - 2.2 System Member Fees and Revenue
 - 2.3 System Non-Member Fees and Revenue
 - 2.4 Capital Expenditures in Excess of \$5,000
 - 2.5 Loans or Letters of Credit
 - 2.6 Treasurer's Surety Bond
3. **Membership**
 - 3.1 Changes in System Membership
 - 3.2 Number of System Members
 - 3.3 Continuing Education/Training
 - 3.4 Member Site Visits
 - 3.5 Non-Resident Participation
4. **System Staff**
5. **Board of Directors**
 - 5.1 FY2023 Board Meetings
 - 5.2 System Board Members
 - 5.3 Assessment of 23 ILAC 3030.255, Board of Directors Policies
 - 5.4 Assessment of 23 ILAC 3030.260, Finances and Records
6. **Bylaws**
7. **General**
 - 7.1 Appraisal of System Real Estate
 - 7.2 Inventory of Motor Vehicles
 - 7.3 Out-of-State Travel
8. **Delivery Annual Report**

Library System: _____

Signed: Karen Bounds Date: _____
Board President

Signed: Leslie M. Bednar Date: 09/20/2023
Executive Director



1. *NARRATIVE REPORT*

A Word from the Executive Director

Libraries are precious. From promoting literacy with accessible and relevant collections to preserving history with well-maintained archives to supporting neighbors with vital services and programs, library work empowers communities. And at Illinois Heartland Library System, we have the honor of empowering member libraries as they serve the diverse needs of their patrons.

In FY2023, that responsibility came with many trials and triumphs—some expected and others less so. We saw increased threats to intellectual freedom in the shape of materials and programming challenges at our libraries. With each of these trials, we found an opportunity for collaboration and creativity.

Still, amid so many unforeseen events, we progressed in our plans for innovation by evaluating a potential automatic material handling system (AMHS), preparations for implementing a discovery layer for SHARE, advocacy for broadband expansion to libraries, and the launch of our trustee learning portal program.

We also remained committed to our leadership role when, for the first time in twenty-five years, Illinois welcomed a new Secretary of State, Alexi Giannoulias. Then, when this new State Librarian introduced exciting legislation to empower our libraries, we recognized a charge to help them adjust to the change with ready guidance and timely communication. Luckily, with a strategic expansion of our Membership Department and a beautiful new website, we were more than prepared to step up. I'm proud to show you how we did that and more in our FY2023 annual report.

Sincerely,

A handwritten signature in black ink that reads "Leslie M. Bednar".

Leslie M. Bednar, Executive Director

Illinois Heartland Library System



Organizational Response to Book Bans

Usually, our annual report narrative demonstrates the ways we made good on the promises laid out in the year's operational plan. Thus, while none of us can tell the future, most highlights and major accomplishments we describe are planned largely a year in advance. When we wrote the FY2023 Operational Plan, though, we had not expected that the rise in book and materials challenges at libraries nationwide would escalate to a fever pitch in central and southern Illinois. So, when more and more of our members began to face censorship, we recognized the need to go off script.

Beginning as early as July, IHLS staff from all departments took on new projects and sought more education on intellectual freedom. Marketing & Communications staff printed IHLS "Free to Read" stickers and distributed them as swag to support our members during a challenging period. Meanwhile, our Membership team offered advice, encouragement, and resources to school and public library members amid challenges. Our Schools Liaison partnered with other Illinois library organizations to establish and promote sign-ups for Regional Response Teams to provide more immediate, on-ground support for local libraries facing censorship. They also made an extra effort to find and offer continuing education (CE) programming on standing up to book bans and program challenges. And staff organization-wide attended myriad presentations and webinars on intellectual freedom and censorship.

Then, our advocacy shifted towards legislation when Secretary of State Alexi Giannoulias introduced the anti-censorship bill HB 2789 in March. Our Executive Director called for a statement on HB 2789 ahead of the press cycle, and we developed an FAQ page for librarians with varying perspectives. With contributions from SHARE leadership and Membership staff, MarCom staff crafted a page to announce, explain, track, and support HB 2789. Members of SHARE, Membership, IT, and Finance provided feedback and proofing for the page. Thanks to our team's dedication, we published the page the night before the bill's more highly publicized second reading. For a few months, our HB 2789 information page was the most accessible comprehensive resource on the legislation available.

Throughout the year, MarCom and Membership staff collaborated with news outlets to champion the freedom to read in Illinois libraries. MarCom drafted our official statement on book bans and intellectual freedom in the summer. This statement has appeared in a few news stories. Membership staff referred to this statement when the topic came up in press interviews and requests for comment. In the fall, our School Library Membership Coordinator spoke on an Illinois NPR show, highlighting book challenges and advocating for school libraries as per our Operational Plan. Months later, we gained international exposure by commenting on HB 2789 (now a law) for a Canadian Broadcasting Corporation (CBC) segment.

Altogether, we at IHLS are quite proud of how we've tackled this challenge with collaboration and dedication—though our work in supporting libraries facing censorship is far from finished. As always, we continue to look forward to new opportunities to serve our libraries in additional ways.



Marketing & Communications

FY2023 was a year of significant change and adjustment for the Marketing and Communications (MarCom) Department—with a new Communications Administrator, work on the new website, increased materials and programming challenges at member libraries, and several large, new projects at IHLS. Most of the department's energy in the first two quarters was dedicated to training the new Communications Administrator, preparing for conferences, promoting Member Day, and finishing major components of the new IHLS website. The site launched at the end of Q2, opening up time for an increased focus on advocacy and public relations, the creation of the iLEAD (Trustee Learning Portal) brand, the expansion of marketing communications continuing education and consulting services, and research on the efficacy of IHLS services.

Launch of the New IHLS Website

In the first half of FY2023 came the final push toward the new IHLS website's launch. MarCom staff worked with our Web Developer and IT Director to create dozens of new pages, revise existing content, and implement many enhancements. The new site launched in December, with improvements, updates, and enhancements continuing to roll out.

Expansion of MarCom CE & Consulting Services

At the start of the third quarter, with the website live, we redirected our energy to providing education and consulting for members and staff. In January, we expanded consulting for IHLS members, initially in MarCom—an effort that entailed branding, promotion, and setting up a Microsoft Bookings page. MarCom now offers virtual office hours every Thursday, and several

members have benefited from the service. Soon, HR joined the program. Alongside consulting, MarCom provided CE through presentations: our Communications Administrator educated staff on slide design, while our Marketing Administrator gave a survey-design presentation for members at the 2023 Reaching Forward South conference.

Focus on Advocacy & PR

With a stronger focus on library advocacy in FY2023, we broadened the focus of a recently created staff book-challenges team to include issues that overlap with and parallel intellectual freedom:

- Digital equity & broadband expansion
- The disappearance of school library programs and professionals statewide

Early in FY2023, we expanded the impact of a project initially geared toward brand advocacy and employee engagement. We created an online print-on-demand store where staff can purchase IHLS-logo merchandise, like shirts and totes, to show their pride and promote the organization. Then, to meet advocacy goals, we launched a Freedom to Read collection, drawing worldwide interest. Store proceeds will fund marketing microgrants to members.

As with the IHLS store, our PR efforts also expanded beyond intellectual freedom pursuits. In March, an IHLS pitch on [Public Act 102-0055](#), the State's media literacy law, resulted in an Illinois PBS segment featuring system staff and a member school librarian.

Then, later in FY2023, our focus turned to digital equity and broadband expansion in Illinois. We promoted the Illinois Broadband Lab's listening sessions for the State's plans to use Broadband Equity, Access, and Deployment (BEAD) Program



Illinois Heartland Library System

funds. We also crafted materials to support the Secretary of State's office as we move toward library-inclusive broadband planning.

Creation of the iLEAD (Trustee Learning Portal) Brand

In February 2023, we turned our focus to the branding of an exciting IHLS project: an online learning portal for public library trustees statewide. In collaboration with Membership staff, we created a logo, communications plan, and name—iLEAD, which stands for Illinois Leadership, Empowerment, Access, and Development. Following these crucial elements, MarCom staff set to designing new visuals for the iLEAD portal on Canvas, building a brand board, providing feedback on the project website and lesson slides, and collaborating on marketing materials. With a clear and cohesive brand image and communications plan, iLEAD is now set up to reach and hold the attention of key stakeholders.

Research on Efficacy of IHLS Services

Because research and self-examination are crucial for organizational success, we frequently seek formal and informal member feedback. This year, formal feedback included Requests for Member Comment, a two-question newsletter survey, and our annual Delivery Survey. Requests

1. Narrative Report

for Member Comment covered topics like revising our public comment policy and gathering input on the proposed budget and operational plan.

The 2023 Delivery Survey, the first full-length survey since before the pandemic, addressed delivery satisfaction and perceptions. In addition to our typical delivery satisfaction questions, MarCom staff explored member perceptions of our delivery service to enable the AMHS Working Group (the group of staff and members assessing the feasibility of an automated material handling system, or AMHS) to proceed with their assessment of an AMHS's feasibility for IHLS. Thus, we thoroughly reviewed and updated the survey before distributing it with a vigorous communication and incentive plan. A thorough cross-tabulation of the data provided overall and aspect-specific satisfaction ratings, key areas for improvement, and potential challenges that AMHS implementation may pose for members. Results yielded an overall satisfaction score of 4.8 out of 5 for IHLS's delivery service. Key areas for improvement included delivery times consistency, sorting accuracy, and reduced transit item damage. The IHLS Delivery Department will use these results to improve our service, implementing suggestions from the survey and making changes to strengthen aspects that received lower ratings.



Human Resources

This year, Human Resources focused on building a culture of learning that emphasizes a journey towards growth and excellence as a shared responsibility. Such a culture not only prepares the organization for the challenges of the future but also empowers its employees to reach their full potential and achieve greater heights of success. This can be seen in the training programs, performance reviews, promotions, and job description developments occurring in this fiscal year. Our focus is always doing what is best to serve our members and making sure that this focus aligns in all areas of operation within IHLS. We carried out this mission in our recruiting and retention and in the trainings we offered to staff and members.

Learning-focused recruiting & retention

Recruiting with a Mind to Education

With the Great Resignation, we have seen an increase in the need to recruit top talent. We hired 21 employees this fiscal year, and 23 employees resigned, with an overall average of 95 employees in any given month. Still, we continue to keep our costs low by using free resources to post our open positions: we have seen a greater number of candidates coming directly to our job board on the IHLS website. And, in keeping with our emphasis on a culture of learning, we have increased our equity, diversity, inclusion, and accessibility (EDIA) knowledge by attending webinars and keeping current with ways to include EDIA initiatives in our hiring processes.

Additionally, the additions to our staff have been focused on education. Key positions added were in the Membership Department, including a Continuing Education Coordinator and a Project Coordinator working on the iLEAD trustee training project. In addition to strengthening our culture of

learning, these additions to the Membership Department also allow us to focus on meeting our organization's number one priority: serving our members.

Learning About Our Workplace Culture via Top Workplaces

For a second year in a row, we've been honored as a St. Louis Post-Dispatch Top Workplace. Being an employer of choice is an asset that can positively impact all aspects of an organization, from attracting and retaining top talent to boosting productivity, customer satisfaction, and financial performance. It is an ongoing commitment to creating a supportive and engaging work environment that rewards both employees and the organization as a whole.

Indeed, the Top Workplaces survey and results offer us more than a point of pride and recruiting advantage: they also give us the opportunity to learn. The survey is a research tool that helps us understand our current work culture and enables us to chart a roadmap for greater development. This is why we endeavored to boost our participation in the survey, an effort that paid off in an increase from 63% of staff participating in FY2022 to 80% in FY2023. This year, we addressed the feedback obtained through this employee engagement survey with efforts like forming an Employee Experience Team and enhancing communications.

Adopting Teamflect to Drive Development

The culture of learning is carried throughout our new performance appraisal process, whether in learning how each employee contributes to our missions and values or in developing training for each employee based on their needs, professional goals, and career aspirations. In FY2023, we strengthened this focus on learning by implementing Teamflect, a performance-



Illinois Heartland Library System

management and employee-engagement tool for this process.

We began in Q1 by using Teamflect for 90-day reviews, focusing on training new employees on their roles and responsibilities and ensuring that expectations are clear at the start of employment. Then, we implemented Teamflect quarterly reviews beginning in Q2. Each employee's learning is linked to the organization's strategic objectives in this review process. Our employees know how their personal growth impacts the company's overall success, which inspires them to pursue learning together as a shared goal. With this learning-focused review process on Teamflect, we encourage managers and employees to discuss training needs and professional growth, thereby increasing the employees' chances of succeeding in their roles here at IHLS.

To support the adoption of Teamflect and ensure consistency with the performance rating of employees for fair and equitable treatment, we also established supervisor and staff training. We created videos for managers with step-by-step instructions on completing the new appraisal process, and our HR Director held a discussion at a supervisors' meeting to address any questions and make modifications to the system to meet IHLS needs. HR staff also shared with supervisors some ideas and suggestions on how to evaluate employees best.

Updated Job Descriptions Reflecting Employee Growth

During this fiscal year, we also honored our commitment to a culture of learning when we revised four job descriptions to reflect the professional development and performance of our employees. These changes, which included enhancing services in Administration, SHARE, and Human Resources, also helped us work toward another constant focus: serving our

1. Narrative Report

members. Placing a priority on advocacy and adding an administrative professional to our membership department helps us achieve that goal.

Training Staff and Members

In connection with our focus on fostering a learning culture, IHLS recognizes that **knowledge is power**. We embrace a philosophy that encourages employees at all levels to seek continuous education and skill development. We value curiosity and innovation, understanding that a dynamic workforce can adapt to change more effectively.

In FY2023, we have developed many learning methods through our Gallagher Step 360 programs, which focus on professional employment and help employees with personal goals. We also provided LinkedIn Learning accounts for staff as another form of learning accessible on the employees' phones or any personal device. These learning opportunities help employees gain marketable skills and stay current with industry standards. With such efforts, we've ensured that the culture of learning here at IHLS is inclusive, providing opportunities for everyone, regardless of their position or tenure. Everyone is encouraged to engage in learning experiences tailored to their needs, from entry-level employees to directors.

Training IHLS Leadership as Learning Advocates

Leaders within any organization play a pivotal role in setting the tone for learning; this is undoubtedly true at IHLS. IHLS leaders actively participate in learning opportunities, openly share their experiences, and demonstrate a commitment to their own growth. Their actions serve as a powerful example and inspire others to follow suit. To this end, we held a three-part leadership training focused on critical competencies like



Illinois Heartland Library System

building trust, coaching for results, and fostering healthy communication in a team.

Educating Member Libraries on HR Topics

We are also dedicated to facilitating learning opportunities for our libraries as part of our overall service to members. In FY2023, we carried this

1. Narrative Report

out first by offering formal trainings, such as an ongoing asynchronous Sexual Harassment Prevention Training (rolled out in October) and several Library HR webinars from HR Source and Uprise Health. Additionally, although formal HR consulting hours began at the end of Q4, members had been contacting HR for informal consultation throughout the fiscal year.



Accounting

The IHLS financial team provides integral support for our entire organization while helping us to get the most out of precious taxpayer dollars. Sound financial management is vital to achieving organizational goals and planning for long-term sustainability. Thus, throughout FY2023, the Accounting Department diligently worked to uphold the principles of fiscal responsibility, transparency, and adherence to regulations. We optimized financial performance by budgeting, controlling expenses, and maximizing investment revenue while mitigating potential risks. Our most significant focuses were on evaluating processes, providing customer service, supporting the AMHS working group, assisting the Operations Department, completing insurance renewals, and evaluating investment options.

Evaluating Processes

As always, the accounting department recorded accurate financial data for all grant activity, capital project fund, SHARE, and the OCLC billing grant—all completed by the deadlines. This includes annual audits, financial reporting, grant reporting, budgeting, payroll, tax filings, accounts payable, and accounts receivable transactions.

This year, as the Finance Department recorded financial data, they also reviewed processes, making necessary changes, such as eliminating filing invoice copies in member files as they are easily accessible in the financial software. Such changes save staff time and allow for easier record retention.

Providing Customer Service

As part of our member-invoicing responsibilities, the Finance Department provided customer service to many of the nearly 2,000 member libraries of IHLS, SHARE, and OCLC.

AMHS Working Group Support

Our accounting team was also heavily involved in the internal and external working groups evaluating the feasibility and value of implementing an automatic material handling system (AMHS). In addition to attending meetings and AMHS library site visits, the department analyzed data and updated the return on investment. The data gathered led to a recommendation to proceed with a Request for Proposal (RFP). The RFP will help us make further determinations by allowing us to obtain more accurate costs of purchasing the machines at each hub.

Assisting Operations

Finance assisted the Operations Department throughout the year with building improvements at multiple hubs and van replacements. For instance, they worked on the RFP for the Edwardsville roof replacement and tuckpointing. And when the Delivery and Facilities Director resigned, our Senior Accountant followed through with the installation of more energy-efficient lights at the Edwardsville hub, helping us continue to make better use of taxpayer dollars.

Insurance Renewals

The accounting team collaborated with the HR Department on benefit insurance renewals and worked with Arthur Gallagher's broker to renew liability-type insurance, providing vital support to our entire company.

Investment Options

This year, the Finance Department continued helping us shepherd our public funding by researching investment options. With board approval, we opened a 13-month CD at GCS Credit Union at 4.5%.



Facilities

At IHLS, we recognize that maintaining and updating our facilities is essential to the responsible use of taxpayer dollars. A comfortable and safe environment promotes staff productivity and equipment reliability, so facility maintenance is necessary to ensure uninterrupted operations of the core services we provide to our members. Additionally, as we generate revenue by renting out spaces within our buildings, we are responsible for providing our tenants and guests with comfort and convenience. Thus, our Facilities leadership focused on maintaining our facilities and re-purposing our spaces in FY2023.

Facilities Maintenance

Our Facilities staff oversaw the completion of multiple projects to ensure safe working environments for IHLS staff, tenants, and guests

utilizing our facilities. This maintenance included the HVAC replacement in the Edwardsville server room, the roof replacement in the Edwardsville building, and the parking lot improvements at the Champaign location.

Improvements to Spaces

We also decided to work on making better use of our facilities by re-purposing spaces in IHLS locations this year. Facilities staff led efforts to organize storage rooms and donate or scrap surplus furniture. The Carbondale location re-arranged an office space to prepare for an additional office. In Champaign, our improvements included updates to areas in preparation for CARLI leased space and LED lighting updates. And, in Edwardsville, we worked on lighting updates, re-purposing rooms, and minor space improvements.



Information Technology

The Information Technology Department at IHLS is another integral element of our organization because it directly supports employees and members alike. This dual function means that our IT staff stay remarkably busy with a variety of projects and routine tasks. In FY2023, their most visible achievement was launching the redesigned website in December, overcoming various challenges in the process. Meanwhile, internally, we emphasized enhancing security across all platforms with multi-factor authentication (MFA) for all staff members and mock email attacks to identify and train susceptible staff. Then, in the latter half of the fiscal year, we turned our focus to statewide projects emphasizing broadband expansion, collaborating with our peers at RAILS and across the state.

Launch of the New IHLS Website

The new IHLS website was a collaborative project involving multiple departments, with the primary responsibility resting on the Marketing and Communications team and IT. Despite delays caused by the pandemic, we successfully completed this project to our satisfaction. Now, with its successful launch, we can shift our attention to implementing new enhancements that will further benefit members.

Enhanced Security Implemented

Throughout the year, the IT department remained vigilant about security concerns and implemented numerous improvements, notably Multi-Factor

Authentication (MFA) for all staff. MFA involves users logging in with their standard username and password and then verifying their accounts using a text code or authentication application on their phones. Additionally, to further strengthen our defenses, we conducted email campaigns to simulate potential attacks so we could assess our users' vigilance about not clicking on unauthorized links. Our staff have shown great caution with emails and promptly report any suspected vulnerabilities to IT. These efforts have increased our confidence in IHLS's cybersecurity.

Focus on Broadband Programs and Expansion

We are living in an exciting time for broadband expansion in Illinois. In many ways, Illinois has already outpaced numerous other states. However, with the infusion of federal funds to expand broadband in the state, we are now poised to witness rapid improvements in the coming years. IHLS recognizes this opportunity, and in FY2023, we began work to proactively position IHLS to support our members in leveraging these opportunities to their advantage. Our IT Director also began leading our organization's efforts to update members and liaise with broadband leadership. We are determined to be prepared and proactive in assisting our members when the time comes.



Delivery

Delivery is one of the core services at IHLS and one of our most visible services available to all 521 IHLS member libraries. This remained clear in FY2023 as IHLS delivery services provided libraries of all sizes access to five-day-a-week delivery—resulting in over 68,000 stops and 1.3 million miles driven. This service saved libraries and their patrons money by facilitating the sharing of library materials at no additional cost. Such robust use of our delivery service underscores the importance of offering quality delivery with minimal interruptions while we seek opportunities to innovate and improve upon the service. Accordingly, Delivery focused this year on maintaining a high standard of service and exploring potential innovation in the form of an Automated Material Handling System (AMHS).

Maintaining a High Standard of Service

Equitable Access in Functional Five-Day Delivery

Equity of service is paramount at IHLS. Thus, all IHLS member libraries have access to five-day-a-week delivery regardless of library size or request volume. By providing libraries of all sizes with access to five-day-a-week delivery, IHLS avoids the barriers of volume-determined delivery service, which would effectively limit access for large swaths of southern Illinois taxpayers. We ensure that a library patron from a small library, which would wait over one week until their delivery service, can receive their inter-library loan in only a few days. We provide pickup, sorting, and delivery of library items at no cost to our members. Any Illinois resident with a library card from a system-member library can freely request and obtain materials from any other system-member library in Illinois! So, we're proud to say that,

during FY2023, IHLS delivery staff sorted and delivered over 3.7 million items—an 8% increase in items delivered over FY2022.

Fast Access with Delivery On the Go Service

On top of equity, we're also committed to offering fast delivery whenever possible. The IHLS Delivery On the Go service enables qualifying items to arrive at the receiving library on the same day they were requested. Because we believe in this service, we launched a campaign to re-promote our Delivery On the Go Service in March 2022, at the end of the last fiscal year. Since then, Delivery On the Go Service usage has increased by 65%, with nearly 49,000 items transported on the same-day routes. This same-route, same-day service saved patrons an estimated 1 million dollars, allowing library patrons to receive their materials free of charge and faster than purchasing online. (See table below.)

Items Delivered On the Go	49,000
Average Value Per Book	\$20*
Estimated Patron Savings	\$1,000,000

**The \$20 is an average of all the total 2022 YTD (apart from children's books with library binding) from the School Library Journal's Average Book Prices 2022 list—rounded up to account for tax and shipping.*

Infrastructure Upkeep with Replacement Vans

With our couriers driving over a million miles in FY2023, we quickly found it necessary to replace a few vehicles in our fleet. Recognizing this need, the IHLS Board approved vehicle purchases via the Emergency Purchase method per Illinois Procurement Code [30 ILCS500/20-30 (d)], allowing IHLS to purchase five delivery vans and one box truck. These purchases allowed IHLS



Illinois Heartland Library System

staff to continue safely providing our members with five-day-a-week delivery to libraries of all sizes.

Potential Innovation with an Automated Material Handling System (AMHS)

Our Delivery staff are constantly exploring new avenues for innovation, from implementing a new kind of tub to creating the Delivery On the Go Service. This year was no exception: in collaboration with other IHLS departments, Delivery worked with internal and external

1. Narrative Report

committees to evaluate the potential adoption of an automated material handler system. As part of this process, Delivery leadership participated in three site visits to libraries that utilize an AMHS and multiple meetings reviewing the costs and benefits of using such a system. Ultimately, IHLS staff requested the AMHS Working Group make a recommendation to the IHLS Board that we proceed with issuing a Request for Proposal. As issuing a request for proposal does not commit the system to purchasing, it would provide us with the information we need to conduct an accurate cost-benefit analysis.



Resource Sharing via SHARE

While our Delivery staff continues to provide no-cost equitable delivery to all IHLS members, our SHARE (Sharing Heartland's Available Resources Equally) division provides an additional, enhanced means of resource sharing. In SHARE, 336 IHLS libraries (or nearly 65 percent of our members) share the costs of an integrated library system (ILS) to provide their patrons access to over 8.8 million items. This considerable membership makes SHARE the largest resource-sharing group in North America, which means greater access for more Illinoisans:

- 336 Member agencies
- 465 Member service locations
- 755,462 Member patrons
- 3,037 Member library staff
- 16 IHLS staff supporting SHARE

This fiscal year was exciting as SHARE planned new initiatives, including adding a new product: Aspen Discovery! This new technology offers more tools to bring aspects of the physical library, like browsing and event promotion, into the virtual space. Meanwhile, SHARE staff have also been meeting member needs by addressing hot topics that have come up throughout the year, analyzing our foundational governance needs, and offering more opportunities to participate in the SHARE community.

Innovative Technology: Aspen Discovery

In line with the IHLS strategic goal of innovation, SHARE began working on an exciting new enhancement in FY2023. Recognizing an opportunity to provide better discoverability of library resources and a better user experience, SHARE staff and committees explored the feasibility of a new discovery layer for Polaris, selecting Aspen by Bywater Solutions. The project

included member communications, demos, and soliciting reservations for FY2024 implementation.

Member Responsiveness: Hot Topics, Vendor Evaluations

SHARE's active governance structure is a valuable feature, enabling the consortium to respond to the needs and concerns of its members via committee meetings, board approvals, and town hall meetings.

In the course of FY2023, various SHARE committees addressed several "hot topics" brought forth by members. We addressed such topics as how to handle juvenile accounts when a patron becomes an adult, delivery to and from standalone libraries, and accepting fines at fine-free libraries.

We also evaluated ten vendors with products and services like book leasing, movie licensing, and video streaming to provide cost-saving opportunities to our members so they may offer the services their patrons want and need.

Member Engagement: Sharing Details & Content

Another initiative in FY2023 focused on boosting member engagement. We increased transparency in committee events with dedicated emails in advance of the SHARE Circulation & Resource Sharing Committee and SHARE Bibliographic & Cataloging Standards Committee, aimed at inviting participation. We also actively encouraged sharing marketing content between libraries with promotions like our "SHARE the Love" campaign. And we continued providing patron engagement content, such as cloudLibrary readers' advisory and a patron-facing highlights page.



Equity, Diversity, Inclusion, Accessibility in Collections

Carrying on with last year's equity, diversity, inclusion, and accessibility focus, we spent time in FY2023 working with bibliotheca, our cloudLibrary vendor, to analyze our juvenile collection to inform future purchases. This effort is the first step toward building a vibrant, well-rounded collection. We serve a wide variety of member libraries with unique communities, so we strive to ensure our digital collection represents those who utilize this resource.

Developing Relationships in Person

We recognize that being present with our members is integral to developing relationships. So, SHARE staff made themselves visible in the library community in FY2023, presenting at conferences and visiting member libraries. Outside of training, nine SHARE team members were at our member libraries 57 times—at networking events, site visits, or participating in the annual Library Crawl event. In addition to the bibliographic services trainings, the SHARE Circulation Specialist provided 76 training sessions to 174 participants, for a total of 311 continuing education hours.

There were also three transitional libraries that went live in FY2023 and we added two new transitional libraries. SHARE now has 336 libraries at 465 locations.

Additionally, four team members also had the opportunity to attend the International Coalition of Library Consortia Conference in St. Louis, while the SHARE Director also co-presented in three sessions. This conference provided a fabulous opportunity for our team to meet colleagues, share best practices, and learn more about some of the biggest challenges facing libraries and library consortia today. The networking and knowledge we gained at this conference will help us continue to improve our services for members.

Consortium Framework Upkeep

SHARE leadership placed a special focus in FY2023 on ensuring policies and procedures were current. The SHARE team also worked on updating several governance policies, financial procedures, and SHARE definitions. This was a team effort between SHARE staff and committees ensuring that we have a strong foundation with support for our members.



Bibliographic Services

IHLS offers three core services to support resource sharing among member libraries in Illinois: delivery of library materials, a single integrated library service platform, and bibliographic services. While each of those three components supports or enhances the others, bibliographic services (or cataloging support) make resource sharing—even resource use—possible. This is because effective cataloging enables patrons to easily find the library items they need in a public access catalog by instilling order and consistency in the description of library items.

To ensure a high standard of accessibility at SHARE libraries and libraries statewide, the IHLS Bibliographic Services team provides several services, including cataloging, database maintenance, and cataloging training—all at no additional cost. Our Bibliographic Services team comprises two divisions: the Cataloging Maintenance Center (CMC) and SHARE Bibliographic Services. While SHARE catalogers focus on support of the SHARE database and training for SHARE members, CMC catalogers support access to resources and special collections throughout the state, including digitized collections at Illinois Digital Archives (IDA).

As is evinced by the extensive training opportunities attended and offered by IHLS's catalogers, continuing education and training are the foundation for both SHARE and CMC cataloging staff. While our Bibliographic Services staff bring decades of library cataloging experience to the table, CMC and SHARE catalogers continue seeking opportunities to sharpen and develop their knowledge and skills. By attending conferences and trainings, our catalogers ensure our members receive only the

best education, cataloging, and database support—a process that bore out in FY2023.

SHARE Bibliographic Services

The mission of Sharing Heartland's Available Resources Equally (SHARE) catalogers is two-fold. They continually maintain the consortium's sprawling database and provide training and support for the 338 consortium members from 473 locations. During FY2023, SHARE Bibliographic Services continued to work on cataloging items for our members, improving our database through item and bibliographic record cleanup, and providing high-quality educational opportunities for our member libraries. To ensure continued database integrity, we focused on updating and correcting subject headings, merging duplicate and short bibliographic records, and identifying item records with potential errors that will need to be corrected by member library staff prior to the implementation of the Aspen discovery layer. SHARE Bibliographic Services staff provided barcoding and cataloging training both online and in-person, including at several member libraries throughout our service area. We also developed and published our new Barcoder Refresher Training to help ensure that all barcoders are up to date with barcoding policies and procedures.

Maintaining Exceptional Database Integrity

A comprehensive and well-organized database with accurate records is the backbone of a robust resource-sharing program. If materials are not cataloged correctly, libraries cannot locate requested items, and patrons cannot find materials to request. Therefore, our SHARE catalogers make it a priority to maintain exceptional database integrity through high-quality cataloging, continual updates to subject



Illinois Heartland Library System

headings for improved patron access and ongoing cleanup projects to improve both bibliographic and item records. In FY2023, their efforts to uphold this standard included:

- Cataloging over 12,000 items for member libraries
- Merging and improving over 600 duplicate and substandard records.
- Identifying and correcting over 132,292 subject headings, including headings related to DEI initiatives and new terms approved by the Library of Congress
- Identifying over 175,000 records with information in the volume field and 1.9 million items with barcodes that need to be examined for accuracy in preparation for the implementation of the Aspen Discovery Layer (see "Resource Sharing via SHARE" for more information). We are currently working with libraries on making these corrections.

Cataloging Training for Members

SHARE Bibliographic Services provides comprehensive training to our member libraries through monthly Cataloger's Training Sessions and our new continuing education opportunity, SHARE Your Cataloging Questions. These sessions allow SHARE catalogers to provide timely updates to cataloging rules and procedures through live demonstrations, instructional documents, and recorded trainings. As a result, our member libraries can adopt and adapt to changes and updates that help ensure a cohesive and accurate catalog for all members.

Training Session	Sessions	Participants
SHARE Cataloger's Training	9	668
SHARE Your Cataloging Questions	9	148

1. Narrative Report

Barcoding Training for Members

SHARE staff developed and published Barcode Refresher Training on Moodle to ensure that all certified barcoders are compliant with and stay abreast of updates to SHARE Barcoding policies and procedures. All certified barcoding staff are required to complete the training prior to the end of calendar year 2023. This training will be required for all barcoders every two years to ensure continued database integrity. Approximately 268 barcoders have completed this training through the SHARE Moodle Training Site.

Cataloging Maintenance Center

The Cataloging Maintenance Center (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. Their offerings include free cataloging of eligible special collections, consultation on metadata projects, database cleanup for LLSAPs, cataloging training, and more. In FY2023, CMC staff carried out a number of projects, but their most significant efforts were focused on the database cleanup for PrairieCat and the Consortia of Academic and Research Libraries in Illinois (CARLI); original cataloging and enhancements to existing records; the creation of authority records and training for this work; the cataloging and addition of metadata items; and a number of continuing education endeavors.

PrairieCat & CARLI Database Cleanup.

Database cleanup is an essential part of improving user access to information resources. To improve user access to information resources, the Cataloging Maintenance Center (CMC) staff provided database cleanup for PrairieCat and the Consortia of Academic and Research Libraries in Illinois (CARLI). As part of these efforts, bibliographic records were reviewed with feedback provided, and duplicate bibliographic records were merged in OCLC Connexion. Our



Illinois Heartland Library System

efforts to provide this service for CARLI and PrairieCat involved the following:

- 6,184 bibliographic records were originally cataloged, enhanced, or identified as merges for the PrairieCat cleanup project
- 13,496 bibliographic records were edited, merged, deleted, or enhanced for the CARLI cleanup project
- 114 bibliographic records reviewed
- 1,037 bibliographic records merged

Original Cataloging & Enhancing Records

To establish user access to Illinois libraries' special collections, CMC staff originally cataloged unique items, including local authors, local history, local genealogy, special collections, and government documents. CMC staff also enhanced bibliographic records by providing more details about the items. Items cataloged this year were in 24 world languages which require more time to catalog.

- 981 items originally cataloged
- 310 bibliographic records enhanced
- 24 world languages cataloged

Authority Record Creation

Over the past two years, CMC staff have completed Name Authority Cooperative Program of the PCC (NACO) training and created authority records. Creating authority records helps differentiate between names and titles that are the same and improves database control and integrity globally since the records are added to the Library of Congress authority database as well as to bibliographic records in OCLC. To this end, CMC staff created 163 name, title, and series records in FY2023.

Metadata Cataloging for Illinois Digital Archives

Cataloging Maintenance Center's metadata cataloging services make it possible for libraries

1. Narrative Report

throughout the state to contribute their digitized special collections to the Illinois Digital Archives (IDA) website, ensuring that all Illinois libraries can play a role in preserving and sharing our state's history. This year, our metadata cataloger cataloged 84 digitized items or collections and uploaded them to the IDA website—all, as always, at no additional cost to the contributing libraries!

Continuing Education Offered & Obtained

At the CMC, our expert catalogers are both teachers and students. As teachers, they help strengthen library services throughout the state. This is because providing training to current catalogers in Illinois ensures that all catalogers are consistent in their cataloging practices—a crucial piece in making materials accessible to patrons. And because many libraries lack the funds for staff to attend paid continuing education (CE) and training, we provide quality training and CE for free via webinars and courses. As always, CMC staff provided this training in the form of "Online with the CMC" webinars, cataloging courses on Moodle, and presentations at conferences and events. Also, at those conferences and events, our catalogers worked to sharpen their skills and grow their expertise by attending relevant sessions. See the table below for further details.

Educational Program	Quantity Offered	Participation / Attendance
Online with the CMC Webinars	10	533 live & 711 views
Asynchronous Cataloging Courses	6	90 successful completers*
Conference / Event Presentations	6	320 live attendees

*Successful completion is marked by a grade of 70% or higher.



Membership

FY2023 has been a year of significant activity and growth in the Membership Services Department. What was a single-person department until FY2019 is now a strong group of six dedicated to serving the more than 520 libraries that comprise IHLS. The impact of this growth is quite apparent in our membership's response to the outreach our School Library Coordinator has done, the enthusiasm shown by members when our Continuing Education Coordinator joined the team, and the palpable excitement about creating the iLEAD trustee learning portal. "Development" is the keyword for this department in FY2023, with the anticipation of a significant impact on our member libraries. With an operational plan highlighting expanded services for school library programs and the people who staff them, a more intentional approach to continuing education, and a response to the ongoing need for trustee training on a statewide platform, the department finished the year strong, ready to build into the next year.

Supporting School Libraries.

With the disappearance of school library facilities, programs, and professionals across the state—and nation—we have recognized our school library members' growing need for support in the past few years. Our addition of a School Library Coordinator in FY2022 supercharged the system's capacity for school outreach. From increased site visits to participation in regional and statewide school-library-support groups, school library members have seen the impact of this addition. Additionally, our Schools Liaison has revived the school-library listserv with usage continuing to increase, and she has helped bring several new school districts into the system.

Training Public Library Trustees

Another area of growth is in our work supporting

public library trustees. A grant from the Illinois State Library has led to the development of the iLEAD Trustee Learning Portal—an online resource through which Illinois public library trustees can receive training to help them serve as effective trustees. Our new Project Manager brought a wealth of knowledge and experience, such as curriculum design expertise and technical skills, ensuring the project's success.

Continuing Education

With a continued focus on education, the Operational Plan for FY2023 called for hiring a much-needed Continuing Education Coordinator at the beginning of the 2023 calendar year. That hiring was delayed until May, but our staff and members immediately saw the benefit of that additional professional. One quickly apparent impact was a much more organized communication with our members regarding available continuing education opportunities.

Of note, as well, is the continued development of our annual Member Day, which we held virtually for the third year. This year, we took a new approach to planning our signature CE event. Thanks to our Member Services Assistant's careful project management and the team's dedication, our reach rose to new heights with 411 attendees—a 32% increase from FY2022!

Enhanced Staffing

Until five years ago, this was a department of one. Now, the staffing picture is very different: four professional staff members and an Administrative Assistant. Organizational help to document Standard Operating Procedures and work with the departmental documentation used by all is a timely addition that will enable our department to continue building on and perfecting the services we offer members for years to come.



2. FINANCIAL REPORT

2.1 FY2023 System Audit — see attachment 2.1

2.2 System Member Fees and Revenue

The SHARE fund contains LLSAP user fees from member libraries in the following categories:	
- Cloud Subscription	\$123,227
- SHARE LLSAP Full Member Fees	\$1,188,440
- SHARE LLSAP Transitional Member Fee	\$17,921
- SHARE Bibliographic Service Fee	\$70,086
- SHARE Additional Module Fees	\$44,300
- SHARE SAM Fee	\$11,301
Total:	\$1,455,275
The SHARE fund contains LLSAP group purchase fees from member libraries in the following categories:	
- SHARE Group Purchase Subscriptions	\$26,464
- SHARE eBook Purchases	\$85,163
Total:	\$111,627
The General fund contains program attendance and purchase fees on behalf of member libraries in the following categories:	
- HR Source Webinar Series	\$560
- Dreamhost Domain Name	\$550
- Swank Movie Copyright Compliance Site License	\$4,268
- Library Advocacy and Funding Conference Registration Fees	\$300
Total:	\$5,678

**2.3 System Non-Member Fees and Revenue**

The General fund generated revenue in the following categories:	
E-Rate Funding	\$3,240
ILDS Contract	\$255,168
Office Leasing at the Champaign Office	\$4,117
Sales from Branded Items	\$91
Member Day Vendor Sponsorships and Promotional Product Sales	\$4,696
Total:	\$267,312
The OCLC fund generated revenue in the following categories:	
ILLINET/OCLC Group Service Fees	\$4,926,558
ILLINET/OCLC Monthly Network Transactional Billing	\$612,387
Total:	\$5,538,944

2.4 Capital Expenditures in Excess of \$5,000

Capital Projects Fund Expenditures	Expense
Carbondale – (1) Server	\$21,878
Champaign Building – Improvements for CARLI Leased Space and Parking Lot Repairs	\$36,354
Edwardsville Building – LED Lighting Upgrade, Architectural Drawings, and Roof Replacement	\$191,784
Vehicles – (6) Cargo Vans and (1) Box Truck	\$318,845
SHARE Fund Expenditures	Expense
N/A	N/A

2.5 Loans or Letters of Credit

As of June 30, 2022, there were no outstanding loans, letters of credit, or grant anticipation warrants for Illinois Heartland Library System.

As of June 30, 2023, IHLS had the following letters of credit:

- Busey Bank – \$5,000,000.00
- US Bank – \$2,500,000.00



2.6 Treasurer's Surety Bond

The Cincinnati Insurance Company
6200 S. Gilmore Rd.
Fairfield, OH 45014-5141
Public Official Bond No. CBR1024165

KNOW ALL MEN BY THESE PRESENTS:

That Kevin Latos
Of Georgetown State of Illinois (hereinafter called the Principal) and
The Cincinnati Insurance Company (hereinafter called the Surety), a corporation organized under the laws of the state of
Ohio with its principal office in the City of Fairfield and the State of Ohio are held
and firmly bound unto Illinois Heartland Library System
(hereinafter called the Obligee) in the sum of One Million Nine Hundred and Sixty Thousand Dollars and Zero Cents
(\$ 1,960,000.00) for the payment whereof
to the Obligee the Principal binds himself/herself, his/her heirs, executors, administrators, and assigns, and the Surety
binds itself, its successors, and assigns, jointly and severally, firmly by these presents.

Signed, sealed and dated this 20th day of January, A.D. 2023.

Whereas the above named Principal has been duly appointed or elected to the office of Board Treasurer
and
Whereas, the effective date of this bond is January 24th, 2023.

Now, therefore, the condition of the foregoing obligation is such that if the Principal shall faithfully perform such duties as
may be imposed on him/her by law and shall honestly account for all money that may come into his/her hands in his/her
official capacity during such period, then this obligation shall be void; otherwise, it shall remain in full force until cancelled
as provided herein.

This Bond is executed by the Surety upon the following express conditions, which shall be conditions precedent to the right
of recovery hereunder:

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


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

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

Witness:
Shaun Schudel
(as to the Principal)

Ken 1 Loh
Principal

The Cincinnati Insurance Company
By Jim Turner
Attorney-in-Fact: Jim Turner





3. MEMBERSHIP

3.1 Changes in System Membership

At the November meeting of the Illinois Heartland Library System Board of Directors, membership applications were accepted from the following agencies:

- Buncombe CSD #43 (Johnson County)
- Mulberry Grove CUSD #1 (Bond County)

At the June meeting of the Illinois Heartland Library System Board of Directors, the following actions were taken pertaining to membership:

An approval of a request to withdraw was accepted from:

- Memorial Hospital (Springfield)

An approval of recommendations to suspend from membership:

- Illini Central CUSD #189 (Mason City)
- Shiloh Village School District #85 (St. Clair County)

An acceptance of a membership application from:

- Crescent-Iroquois CUSD #249 (Iroquois County)

3.2 Summary of System Membership

Report the number of full member agencies and the number of member agencies by type.

The number of full member agencies as of June 30, 2023, is as follows:

Academic Libraries	29
Public Libraries	227
School Districts	238
Special Libraries	27
Total	521

3.3 Continuing Education Training

The continuing education/training programs offered by the system for the priorities of service, including the types of offerings, number of events held, total number of participants, and total number of contact hours provided, is as follows:

IHLS

Number of Events/Programs	19
Number of Participants	922
Total Contact Hours	2488

The seven Monthly Matters offerings that were held in FY2022 drew 199 participants for 398 Contact Hours.

The 3-Part Library Human Resources Series drew 82 participants for 125 Contact Hours.

The 2022 Member Day involved 425 participants for 1700 contact hours.

Although not a specific Continuing Education offering, 30 Directors' Chats were held in FY2023 for a total of 717 contact hours.

SHARE

Number of events/programs	125
Number of participants	1381
Total Contact hours	2391

3.4 Member Site Visits

In FY2023 **149** site visits were conducted:

Academic Libraries	3 Visits
Public Libraries	82 Visits
School Libraries	58 Visits
School/Public Combination Libraries	27 Visits



Special Libraries

4 Visits

<https://www.illinoisheartland.org/members/non-resident-fee>

3.5 Non-Resident Fee Participation

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



4. SYSTEM STAFF

4a. List of staff positions authorized and filled, salary schedules, and fringe benefits			
Title	Department	Annual Salary Schedule	Fringe Benefits
Accounting Assistant	Accounting	\$34,211.84	
Accounts Receivable Coordinator	Accounting	\$52,395.20	
Administrative Assistant	General Administrative	\$40,102.40	
Administrative Services Manager	SHARE	\$70,403.00	
Associate Director	General Administrative	\$146,664.96	
Bibliographic Grant Manager	CMC	\$73,219.12	
Cataloger	SHARE	\$54,258.88	
Cataloger	CMC	\$52,172.00	\$325.00
Cataloger	CMC	\$48,833.20	
Cataloger	CMC	\$48,833.20	
Cataloger	SHARE	\$49,295.28	
Cataloger	CMC	\$54,258.88	
Cataloger	SHARE	\$52,172.00	
Cataloger	CMC	\$46,955.00	\$500.00
Cataloger	SHARE	\$48,833.20	
Cataloger	CMC	\$16,276.00	
Cataloger	CMC	\$59,684.56	\$600.00
Cataloger	SHARE	\$48,833.20	
Cataloger 3	SHARE	\$59,959.12	
Communications Administrator	General Administrative	\$43,406.48	
Continuing Education Coordinator Liaison	General Administrative	\$57,399.00	
Courier	Operations	\$13,500.24	
Courier	Operations	\$13,500.24	
Courier	Operations	\$13,500.24	
Courier	Operations	\$13,500.24	
Courier	Operations	\$13,500.24	
Courier	Operations	\$13,500.24	
Courier	Operations	\$13,500.24	
Courier	Operations	\$13,500.24	
Courier	Operations	\$13,500.24	
Courier	Operations	\$14,040.00	



Title	Department	Annual Salary Schedule	Fringe Benefits
Courier	Operations	\$14,922.27	
Courier	Operations	\$14,922.27	
Courier	Operations	\$14,922.27	
Courier	Operations	\$14,922.27	
Courier	Operations	\$14,922.27	
Courier	Operations	\$14,922.27	
Courier	Operations	\$14,922.27	
Courier	Operations	\$16,407.29	
Courier	Operations	\$16,407.29	
Courier	Operations	\$17,910.32	
Courier	Operations	\$17,910.32	
Courier	Operations	\$17,910.32	
Courier	Operations	\$31,200.00	
Courier	Operations	\$31,200.00	
Courier	Operations	\$31,200.00	
Courier	Operations	\$31,200.00	
Courier	Operations	\$31,200.00	
Courier	Operations	\$31,200.00	
Courier	Operations	\$31,200.00	
Courier	Operations	\$31,200.00	
Courier	Operations	\$31,200.00	
Courier	Operations	\$31,200.00	
Courier	Operations	\$34,486.40	
Courier	Operations	\$35,880.00	
Courier	Operations	\$35,880.00	
Delivery Coordinator	Operations	\$31,200.00	
Delivery Coordinator	Operations	\$40,206.40	
Executive Assistant	General Administrative	\$59,966.40	
Executive Director	General Administrative	\$164,011.63	
Finance Director	Accounting	\$98,805.20	
HR Assistant	Human Resources	\$29,419.52	
Human Resources Director	Human Resources	\$89,411.92	
ILDS Coordinator	Operations	\$35,880.00	
IT Director	Information Technology	\$132,721.68	
Marketing Administrator	General Administrative	\$59,684.56	
Membership Coordinator	General Administrative	\$61,360.00	
Membership Coordinator	General Administrative	\$72,884.24	
Metadata Cataloger	CMC	\$49,303.00	
Network Administrator	Information Technology	\$73,504.89	



Title	Department	Annual Salary Schedule	Fringe Benefits
Operations Coordinator	Operations	\$47,840.00	
Operations Manager	Operations	\$73,219.12	
Operations Manager	Operations	\$56,322.00	
Project Coordinator	General Administrative	\$63,418.00	
Reporting Services Specialist	SHARE	\$13,504.40	
Senior Accountant	Accounting	\$61,785.10	
SHARE Administrative Assistant	SHARE	\$38,459.20	
SHARE Administrative Service Specialist	SHARE	\$44,200.00	
SHARE Bibliographic Services Manager	SHARE	\$73,219.12	
SHARE Circulation Specialist	SHARE	\$44,138.58	
SHARE Director	SHARE	\$98,352.80	
SHARE Resource Sharing Specialist	SHARE	\$54,258.73	
SHARE Tech Support Specialist	SHARE	\$48,859.20	
Sorter	Operations	\$11,700.21	
Sorter	Operations	\$11,700.21	
Sorter	Operations	\$11,700.21	
Sorter	Operations	\$11,700.21	
Sorter	Operations	\$12,168.00	
Sorter	Operations	\$12,168.00	
Sorter	Operations	\$12,168.00	
Sorter	Operations	\$12,168.00	
Sorter	Operations	\$12,636.22	\$100.00
Sorter	Operations	\$15,444.27	
Sorter	Operations	\$30,430.40	
Web and IT Administrator	Information Technology	\$51,888.00	
Web Developer	Information Technology	\$78,740.92	\$100.00

4b. Number of Vacant Positions Currently Trying to Fill

Title	Department
Delivery and Facilities Director	Operations
Sorter	Operations

4c. Job titles listed by the number of positions eliminated during FY2023

Title	Department
N/A	



5. BOARD OF DIRECTORS

5.1 FY2023 Board Meetings Held

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

July 26, 2022

August 23, 2022

September 20, 2022

September 27, 2022

October 17, 2022

October 25, 2022

November 22, 2022

January 24, 2023

February 28, 2023

March 28, 2023

April 12, 2023

April 25, 2023

May 23, 2023 – Board Member Elections Held

June 7, 2023

June 20, 2023 – Board Members Seated

All Board and committee meeting agendas are posted on the Illinois Heartland Library System website.

5.2 FY2023 System Board Members

Board Members	Term Ends	Email
Loretta Broomfield – Vice President	June 2025	lbroomfield@board.illinoisheartland.org
Karen Bounds – Member at Large & FOIA Officer	June 2025	kbounds@board.illinoisheartland.org
Stacey Carter – Secretary	June 2023	scarter@board.illinoisheartland.org
Ann Chandler	June 2024	achandler@board.illinoisheartland.org
Tiffany Droege	June 2023	tdroege@board.illinoisheartland.org
Jenna Griffith	June 2024	jgriffith@board.illinoisheartland.org
Sarah Hill	June 2023	shill@board.illinoisheartland.org
Ryan Johnson	June 2024	rjohnson@board.illinoisheartland.org
Kevin Kelsey	June 2025	kkelsey@board.illinoisheartland.org
Tammy Krouse	June 2024	tkrouse@board.illinoisheartland.org
Kevin Latoz – Treasurer & Ethics Officer	June 2024	klatoz@board.illinoisheartland.org
Linda McDonnell	June 2025	lmcdonnell@board.illinoisheartland.org
Joshua Short – President	June 2025	jshort@board.illinoisheartland.org
Kelley Sullivan – Ethics Officer	June 2023	ksullivan@board.illinoisheartland.org
Susan Tulis	June 2023	stulis@board.illinoisheartland.org



5.3 IHLS Board Meets Requirements Specified In 23 ILAC 3030.255

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

Policies and Bylaws:

[Governance Documents | IHLS \(illinoisheartland.org\)](#)

Contracts and Purchasing:

[Microsoft Word - Financial Policy Proposed Changes October 2022 approved by Board 102522 \(illinoisheartland.org\)](#)

Personnel Code (Conflict of Interest, Travel Expenditures and Secondary Employment):

[FINAL 2023 HANDBOOK.pdf \(illinoisheartland.org\)](#)

5.4 IHLS Board Meets Finances and Records Responsibilities In 23 ILAC 3030.260

The Board of Directors of the Illinois Heartland Library System is compliant with 23 ILAC 3030.260.

- Financial records are maintained at the Administrative Headquarters in Edwardsville.
- A monthly financial report is prepared and reviewed by the finance committee and the full board.
- An annual audit is conducted.
- Funds are accounted for as of June 30th of each year by expenditure, encumbrance or reserves.
- An annual budget has been prepared and submitted prior to July 1.
- A purchase inventory is maintained.
- Accounts are organized on the basis of funds.
- Financial reports are submitted to the Illinois State Library twice a year.



6. *BYLAWS*

Copy of Latest Approved Bylaws – see attachment 6



7. GENERAL

7.1 Summary Appraisal of System Real Estate

Property Description	Own or Rent?	Value of Property	Plans for Property
Carbondale Hub 1740 Innovation Drive Carbondale, IL	Rent	\$6,794.33/mo. or \$81,532 annually	Continue to lease
Champaign Hub 1704 Interstate Drive Champaign, IL	Own	Appraised value \$850,000 as of 2018	Continue to own
Edwardsville Hub 6725 Goshen Road Edwardsville, IL	Own	Appraised value 2,100,000 as of April 2019	Brick tuckpointing, resealing parking lot and cracks; parking lot striping

7.2 Inventory of Current Owned Motor Vehicles

Type (Model/Year)	License Plate Number	Current Mileage	Type of Use	Will vehicle be replaced during FY2024?
2015 Ford Taurus	U8313	103,381	Staff Use	No
2015 Ford Taurus	U18520	96,958	Staff Use	No
2008 Dodge Grand Caravan	U25399	153,655	Staff Use	No
2015 Chevy Express	U29923	169,213	Delivery	No
2015 Ford Taurus	U30129	27,978	Staff Use	No
2015 Dodge Grand Caravan	U30423	92,188	Staff Use	No
2018 Ford F-450 Box Truck	U31660	306,566	Delivery	No
2018 Ford Transit	U32274	168,667	Delivery	Yes
2018 Ford Transit	U32517	217,016	Delivery	Yes
2019 Ford Transit	U33020	179,056	Delivery	Yes
2019 Ford Transit	U33021	197,187	Delivery	Yes
2019 Ford Transit	U33022	208,150	Delivery	Yes
2019 Ford Transit	U33167	229,490	Delivery	Yes
2020 Ford Transit	U33806	193,211	Delivery	Yes
2019 Ford Transit	U33807	132,232	Delivery	No
2019 Ford Transit	U33849	120,157	Delivery	No
2020 Chrysler Voyager	U34175	33,475	Staff Use	No



2020 Ford Transit	U35059	98,695	Delivery	No
2020 Ford Transit	U35060	120,093	Delivery	No
2020 Ford Transit	U35061	153,772	Delivery	Yes
2020 Ford Transit	U35062	118,124	Delivery	No
2020 Ford Transit	U35063	106,907	Delivery	No
2020 Ford F-450 Box Truck	U35065	87,099	Delivery	No
2020 Ford Transit	U35100	133,968	Delivery	Yes
2021 Ford Transit	U35767	46,331	Delivery	No
2021 Ford Transit	U35969	36,117	Delivery	No
2021 Ford Transit	U35987	32,260	Delivery	No
2020 Ford Transit	U35998	24,704	Delivery	No
2021 Ford Transit	U35999	25,839	Delivery	No
2023 Ford Transit	U36092	7,931	Delivery	No
2023 Chevy Box Truck	U36531	420	Delivery	No

7.3 Summary of Fiscal Year Out of State Travel Information

Name of Event or Reason for Travel Destination	Number of Travelers
Association for Library Service to Children (ALSC) Conference; Kansas City, MO	3
Association for Rural & Small Libraries (ARSL) Conference; Chattanooga, TN	7
International Coalition of Library Consortia (ICOLC) Meeting; St. Louis, MO	5
Innovative Users Group (IUG) Conference; Phoenix, AZ	4
Library Marketing & Communications Conference (LMCC); Indianapolis, IN	2
Society for Human Resource Management (SHRM) Conference; Las Vegas, NV	1



8. DELIVERY ANNUAL REPORT

Delivery Annual Report –see attachment 8



ATTACHMENTS

Attachment 2.1 FY2023 System Audit

ILLINOIS HEARTLAND LIBRARY SYSTEM

REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2023

ILLINOIS HEARTLAND LIBRARY SYSTEM

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-3
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 GAAS	4-5
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE	6-8
MANAGEMENT'S DISCUSSION AND ANALYSIS	9-16
<u>BASIC FINANCIAL STATEMENTS:</u>	
<u>Exhibit</u>	
<u>Government-Wide Financial Statements</u>	
A Statement of Net Position	17
B Statement of Activities	18
<u>Fund Financial Statements</u>	
C Balance Sheet - Governmental Funds	19
D Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	20
E Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	21
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds to the Statement of Activities	22
G Statement of Net Position - Proprietary Fund	23
H Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund	24
I Statement of Cash Flows - Proprietary Fund	25

ILLINOIS HEARTLAND LIBRARY SYSTEM

TABLE OF CONTENTS (CONTINUED)

	<u>PAGE</u>
<u>Government-Wide Financial Statements</u>	
J Statement of Fiduciary Net Position - Custodial Funds	26
K Statement of Changes in Fiduciary Net Position - Custodial Funds	27
<u>NOTES TO FINANCIAL STATEMENTS</u>	28-46
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
<u>Schedule</u>	
1 Schedules of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - Major Governmental Funds	47-49
Notes to the Required Supplementary Information	50
2 Schedule of Changes in Net Pension Liability and Related Ratios	51
3 Schedule of Employer Contributions	52
Notes to the Schedule of Employer Contributions	53
<u>SUPPLEMENTARY INFORMATION</u>	
<u>Schedule</u>	
<u>Non - Major Special Revenue Funds</u>	
4 Combining Balance Sheet - Non Major Special Revenue Funds	54
5 Combining Income Statement - Non Major Special Revenue Funds	55
<u>Individual Fund Financial Statements - Governmental Funds</u>	
6 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	56
<u>Special Revenue Funds</u>	
7 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - CMC Grant Fund	57

ILLINOIS HEARTLAND LIBRARY SYSTEM

TABLE OF CONTENTS (CONTINUED)

SUPPLEMENTARY INFORMATION (CONTINUED)

<u>Schedule</u>	<u>PAGE</u>
8 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - OCLC Grant Fund	58
9 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Library Trustee Training Grant Fund	59
<u>Capital Project Fund</u>	
10 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Capital Projects Fund	60
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	61
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	62
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	63-64
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS	65-66
CORRECTIVE ACTION PLAN	67-68



ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON

August 28, 2023

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Illinois Heartland Library System

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, 2023, 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then end in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 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, 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 certain information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, 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 combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in

the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2023, 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.

A handwritten signature in black ink, reading "Scheffel Boyle". The signature is written in a cursive, flowing style.

Alton, Illinois



ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON

August 28, 2023

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, 2023, and the related notes to the financial statements, which collectively comprise Illinois Heartland Library System's basic financial statements, and have issued our report thereon dated August 28, 2023.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-1 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

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

Purpose of this Report

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



Alton, Illinois



ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON

August 28, 2023

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

Opinion on Each Major Federal Program

We have audited Illinois Heartland Library System's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Illinois Heartland Library System's major federal programs for the year ended June 30, 2023. 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, 2023

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'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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-1. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Illinois Heartland Library System's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Illinois Heartland Library System's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-1 to be a material weakness.

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.

Government Auditing Standards requires the auditor to perform limited procedures on Illinois Heartland Library System's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Illinois Heartland Library System's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Illinois Heartland Library System, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Illinois Heartland Library System's basic financial statements. We issued our report thereon dated August 28, 2023, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Alton, Illinois

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023 (FY2023). 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), which is a division of the Illinois Secretary of State. In the founding legislation, the Library Systems Area & Per Capita Grant (23 ILAC 3035.100) formula is based on \$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 funding totaled \$3,919,852.02.

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 FY2023, 521 libraries of various types participated as members of IHLS (29 academics, 227 publics, 238 school districts, and 27 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, 2023

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 14 contains the *Statement of Net Position* which presents information on all IHLS's assets and liabilities as of June 30, 2023. The *Statement of Activities*, found on page 15, reflects the change in Net Position and FY2023 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 FY2023 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 FY2023, 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 *LTT* and *OCLC Grant* is represented in the audited financial statements under "*Non-Major Governmental Funds*".

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023, *SHARE* currently represents 336 agencies (utilizing 465 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 28-46 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 47-53 of this report.

The other supplementary schedules contain combined financial information and budget to actual comparison for Non-Major Funds. Other supplementary information can be found on pages 44-60 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 \$13,192,292 at the close of FY2023.

The largest portion of the IHLS's Net Position (67%) 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, 2023

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

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and Other Assets	\$ 6.7	\$ 6.6	\$ 2.6	\$ 2.4	\$ 9.3	\$ 9.0
Noncurrent Assets	1.9	8.0	0	2.8	1.9	10.8
Total Assets	<u>\$ 8.6</u>	<u>\$ 14.6</u>	<u>\$ 2.6</u>	<u>\$ 5.2</u>	<u>\$ 11.2</u>	<u>\$ 19.8</u>
Deferred Outflows of Resources	<u>\$ 5.3</u>	<u>\$ 0.7</u>	<u>\$ 2.2</u>	<u>\$ 0.3</u>	<u>\$ 7.5</u>	<u>\$ 1.0</u>
Current and Other Liabilities	\$ 0.2	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.3	\$ 0.2
Long-Term Liabilities	0.5	0.3	0.2	0.1	0.7	0.4
Total Liabilities	<u>\$ 0.7</u>	<u>\$ 0.4</u>	<u>\$ 0.3</u>	<u>\$ 0.2</u>	<u>\$ 1.0</u>	<u>\$ 0.6</u>
Deferred Inflows of Resources	<u>\$ 3.2</u>	<u>\$ 4.8</u>	<u>\$ 1.3</u>	<u>\$ 2.0</u>	<u>\$ 4.5</u>	<u>\$ 6.8</u>
Net Position						
Net Investment in Capital Assets	\$ 1.8	\$ 1.4	\$ 0	\$ 0.1	\$ 1.8	\$ 1.5
Restricted	0.1	0	0	0	0.1	0
Unrestricted	8.1	8.7	3.2	3.2	11.3	11.9
Total Net Position	<u>\$ 10.0</u>	<u>\$ 10.1</u>	<u>\$ 3.2</u>	<u>\$ 3.3</u>	<u>\$ 13.2</u>	<u>\$ 13.4</u>

Long-Term Liabilities represents the value of earned, but unused vacation accumulated by employees, as well as Net Pension Liability related to participation in the Illinois Municipal Retirement (IMRF) Fund, as of June 30, 2023. 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, 2023 and 2022:

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program Revenues						
Charges for Services	\$ 0.3	\$ 0.3	\$ 1.6	\$ 1.6	\$ 1.9	\$ 1.9
Operating Grants and Contr.	5.0	4.0	0	0.2	5.0	4.2
General Revenues	(0.2)	1.3	(0.2)	0.5	(0.4)	1.8
Internal Activity - Transfers	(0.3)	(0.3)	0.3	0.3	0	0
Total Revenues	<u>\$ 4.8</u>	<u>\$ 5.3</u>	<u>\$ 1.7</u>	<u>\$ 2.6</u>	<u>\$ 6.5</u>	<u>\$ 7.9</u>
Expenses:						
General Library Services	\$ 4.9	\$ 4.4	\$ 0	\$ 0	\$ 4.9	\$ 4.4
Computer Development			1.8	1.8	1.8	1.8
Total Expenses	<u>\$ 4.9</u>	<u>\$ 4.4</u>	<u>\$ 1.8</u>	<u>\$ 1.8</u>	<u>\$ 6.7</u>	<u>\$ 6.2</u>
Change in Net Position	\$ (0.1)	\$ 0.9	\$ (0.1)	\$ 0.6	\$ (0.2)	\$ 1.5
Beginning Net Position	10.1	9.2	3.3	2.7	13.4	11.9
Ending Net Position	<u>\$ 10.0</u>	<u>\$ 10.1</u>	<u>\$ 3.2</u>	<u>\$ 3.3</u>	<u>\$ 13.2</u>	<u>\$ 13.4</u>

This Statement reflects a change in Net Position of (\$227,298). This is a 1.7% decrease from the prior year. This decrease in the current year is attributable to the Actuarial Valuation performed in the System's participation in the

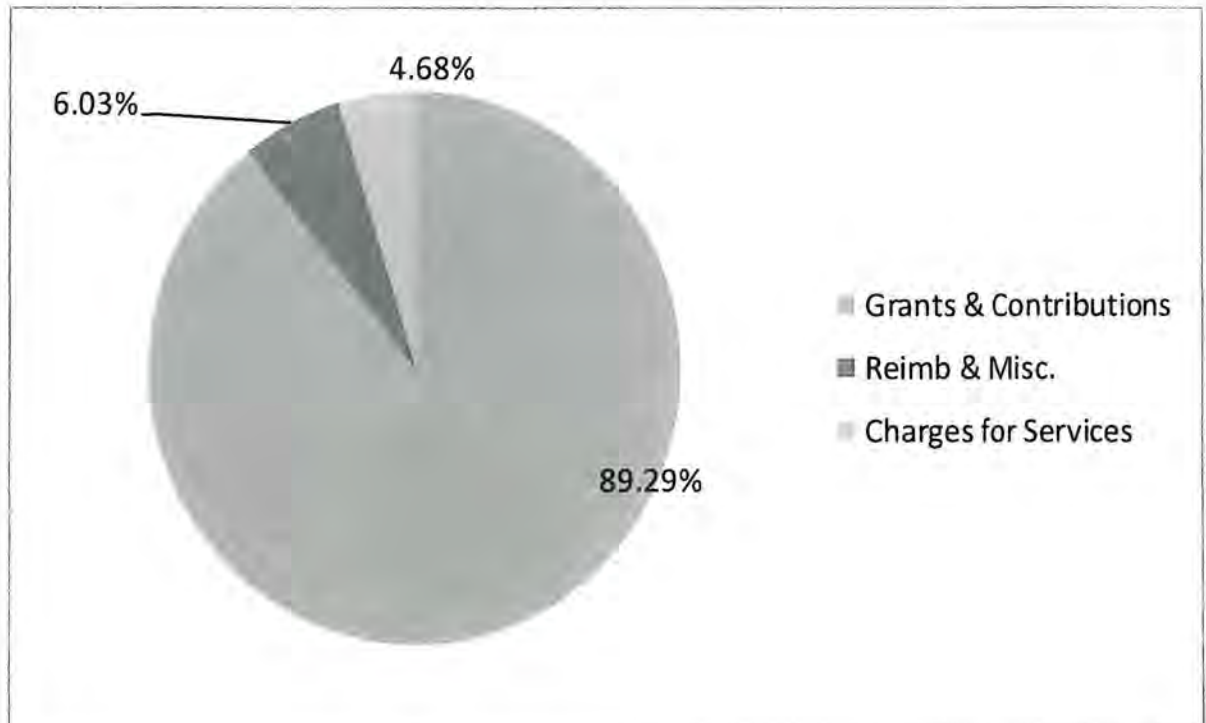
ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

Illinois Municipal Retirement Fund. The System recognized current year pension expense of \$701,842 compared to pension income of \$1,748,357 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 21), *Charges for Services* continued to represent most of the *Operating Revenues* (approximately 72%).

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 21, as of June 30, 2023, *IHLS's Governmental Funds* reported a combined ending fund balance of \$6,433,932.

IHLS developed a budget based on the priority areas identified by the ISL and the *FY2023 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 FY2023 budget represents normal funding levels.

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

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	\$ 3,920,000	\$ 3,920,000	\$ 3,919,852
Fees for Services and Material	258,818	258,818	255,718
Reimbursements	1,468	1,468	4,568
Investment income	2,221	2,221	187,877
Miscellaneous	89,130	81,148	73,421
Total Revenues	<u>\$ 4,271,637</u>	<u>\$ 4,263,655</u>	<u>\$ 4,441,436</u>
Expenditures:			
Personnel	\$ 3,003,445	\$ 3,003,445	\$ 2,744,636
Other Operating Expenditures	1,373,238	1,373,238	973,097
Total Expenditures	<u>\$ 4,376,683</u>	<u>\$ 4,376,683</u>	<u>\$ 3,717,733</u>
Excess of Revenue Over (Under)			
Expenditures	<u>(105,046)</u>	<u>(113,028)</u>	<u>723,703</u>
Other Financing Sources (Uses):			
Transfers In (Out)	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>
Net Change in Fund Balance	<u>\$ (405,046)</u>	<u>\$ (413,028)</u>	<u>\$ 423,703</u>

In the General Fund, IHLS welcomed two brand new colleagues, a Continuing Education Coordinator and a Project Coordinator that was allocated 25% to the General Fund and 75% to the LTT grant. The minimum wage increase had an impact on wages for our Sorter staff and starting wages for Courier staff were increased to \$15 per hour. IHLS added a grants consultant to explore funding options for additional member services. All these changes had a positive impact on the organization.

In FY2023, IHLS returned to in-person travel which ensures staff will 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.

IHLS postponed phase three of the Edwardsville remodel during the fiscal year but did use a portion of the supply budget to furnish an available space that was needed for a staff member.

Cataloging Maintenance Center (CMC)

In FY2023, 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. In FY2023, three temporary catalogers from the SHARE Fund were transferred to the CMC grant to continue work on the Consortium of Academic and Research Libraries in Illinois (CARLI) cleanup project.

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

Sharing Heartland's Available Resources Equally (SHARE)

In FY2023, SHARE replaced a part-time position with a full-time position and added a new position for an Administrative Assistant.

SHARE also returned to in-person travel. This gives staff the opportunity for continuing education, offers the ability to network with SHARE members, and creates the opportunity to promote the program to non-members.

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 FY2023 included the cost of the parking lot sealed and renovations to the Champaign office. This renovation included the relocation of an office door, construction of a wall, installation of a door, painting, and electrical installation. This renovation was done to create a leased space for CARLI staff. At the Edwardsville office, the roof was replaced, and the lighting was upgraded to a light emitting diode (LED). A server was replaced at the Carbondale office.

In FY2023, IHLS purchased six Ford Transit vans and one Chevrolet box truck. IHLS surplused six vans after the receipt of the new vans. This generated an additional \$33,910 of revenue for the Capital Projects Fund.

Capital Assets

The table below shows the value (in thousands) of IHLS Capital Assets at June 30, 2023 and 2022:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land	\$ 411.6	\$ 411.6	\$ 0	\$ 0	\$ 411.6	\$ 411.6
Assets in Progress	0	0	0	0	0	0
Buildings & Improvements	997.7	878.1	0	0	997.7	878.1
Equipment & Other	0	0	0	0	0	0
Furniture & Fixtures	0	0	0	0	0	0
Computers	23.9	3.6	30.5	97.0	54.4	100.6
Vehicles	365.4	124.4	0	0	365.4	124.4
Total Capital Assets	<u>\$ 1,798.6</u>	<u>\$ 1,417.7</u>	<u>\$ 30.5</u>	<u>\$ 97.0</u>	<u>\$ 1,829.2</u>	<u>\$ 1,514.7</u>

Discussions of Currently Known Facts, Decisions, or Conditions

IHLS's FY2023 budget was developed using the modified zero-based budget process. Administrative staff from the system participated in developing the budget. Careful consideration was given to the core service priorities as expressed by the Illinois Secretary of State and the Illinois State Library.

The primary funding source for the *Governmental Activities* is the System Area and Per Capita Grant from the Illinois State Library, which is supported by the Illinois General Revenue, the Live and Learn, and Federal Funds. The federal source of funding is through the Library Services and Technology Act (LSTA). Other revenue sources used for the *Proprietary Activities* include the fees collected to support the operation of the LLSAP, SHARE, which provides services to approximately 336 full-member agencies.

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

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 FY2024, 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, 2023

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 6,481,473	\$ 2,410,880	\$ 8,892,353
Accounts Receivable	82,198	25,500	107,698
Due from Other Funds	52,912	30,800	83,712
Prepaid Expenses	46,751	190,840	237,591
Total Current Assets	<u>\$ 6,663,334</u>	<u>\$ 2,658,020</u>	<u>\$ 9,321,354</u>
Noncurrent Assets:			
Capital Assets:			
Not Being Depreciated	\$ 411,667		\$ 411,667
Being Depreciated -			
Net of Accumulated Depreciation	1,386,941	\$ 30,572	1,417,513
Right of Use Asset, (Net of Accumulated Amortization)	75,566		75,566
Total Noncurrent Assets	<u>\$ 1,874,174</u>	<u>\$ 30,572</u>	<u>\$ 1,904,746</u>
Total Assets	<u>\$ 8,537,508</u>	<u>\$ 2,688,592</u>	<u>\$ 11,226,100</u>
Deferred Outflows of Resources:			
Deferred Outflows from Pension Contributions	\$ 5,301,263	\$ 2,228,566	\$ 7,529,829
Total Deferred Outflows of Resources	<u>\$ 5,301,263</u>	<u>\$ 2,228,566</u>	<u>\$ 7,529,829</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 13,838,771</u>	<u>\$ 4,917,158</u>	<u>\$ 18,755,929</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>			
Current Liabilities:			
Accounts Payable	\$ 47,393	\$ 22,687	\$ 70,080
Due to Other Funds	52,912	30,800	83,712
Accrued Expenses	125,098	40,922	166,020
Unearned Revenue	4,000	1,728	5,728
Total Current Liabilities	<u>\$ 229,403</u>	<u>\$ 96,137</u>	<u>\$ 325,540</u>
Long-Term Liabilities:			
Accrued Compensated Absences	\$ 172,162	\$ 78,819	\$ 250,981
Net Pension Liability	221,010	164,611	385,621
Lease Liability	79,366		79,366
Total Long-Term Liabilities	<u>\$ 472,538</u>	<u>\$ 243,430</u>	<u>\$ 715,968</u>
Total Liabilities	<u>\$ 701,941</u>	<u>\$ 339,567</u>	<u>\$ 1,041,508</u>
Deferred Inflows of Resources:			
Deferred Inflows of Resources Related to Net Pension Asset	\$ 3,194,787	\$ 1,327,342	\$ 4,522,129
Total Deferred Inflows of Resources	<u>\$ 3,194,787</u>	<u>\$ 1,327,342</u>	<u>\$ 4,522,129</u>
Net Position:			
Net Investment in Capital Assets	\$ 1,798,608	\$ 30,572	\$ 1,829,180
Restricted			
Grant Expenditures	22,655		22,655
Unrestricted	8,120,780	3,219,677	11,340,457
Total Net Position	<u>\$ 9,942,043</u>	<u>\$ 3,250,249</u>	<u>\$ 13,192,292</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 13,838,771</u>	<u>\$ 4,917,158</u>	<u>\$ 18,755,929</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, 2023

Functions/Programs	Program Revenues				Net (Expense)/Revenue And Changes in Net Position - Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Library Services	\$ 4,878,005	\$ 255,718	\$ 4,877,494		\$ 255,207		\$ 255,207
Business-Type Activities:							
Computer Development	1,835,947	1,566,902	29,113			\$ (239,932)	(239,932)
	<u>\$ 6,713,952</u>	<u>\$ 1,822,620</u>	<u>\$ 4,906,607</u>	<u>\$ 0</u>	<u>\$ 255,207</u>	<u>\$ (239,932)</u>	<u>\$ 15,275</u>
General Revenues:							
Reimbursements					\$ 4,568		\$ 4,568
Investment Income					230,387	\$ 80,349	310,736
Miscellaneous					94,337	3,623	97,960
Pension Income (Expense)					(491,289)	(210,553)	(701,842)
Gain (Loss) on Sale of Assets					46,005		46,005
Internal Activity - Transfers					(300,000)	300,000	
Total General Revenues					<u>\$ (415,992)</u>	<u>\$ 173,419</u>	<u>\$ (242,573)</u>
Change in Net Position					\$ (160,785)	\$ (66,513)	\$ (227,298)
Net Position - Beginning of Year					10,102,828	3,316,762	13,419,590
Net Position - End of Year					<u>\$ 9,942,043</u>	<u>\$ 3,250,249</u>	<u>\$ 13,192,292</u>

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	Major Funds			Non-Major	Total
	General	CMC	Capital	Governmental	Governmental
	Fund	Grant	Projects	Funds	Funds
		Fund	Fund		
ASSETS:					
Cash and Cash Equivalents	\$ 5,486,154	\$ 47,065	\$ 945,407	\$ 2,847	\$ 6,481,473
Due from Other Funds	52,907			4	52,911
Accounts Receivable	22,182			60,016	82,198
Prepaid Expenses	41,154	3,547		2,050	46,751
Total Assets	<u>\$ 5,602,397</u>	<u>\$ 50,612</u>	<u>\$ 945,407</u>	<u>\$ 64,917</u>	<u>\$ 6,663,333</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts Payable	\$ 37,903	\$ 5,547		\$ 3,943	\$ 47,393
Due to Other Funds	4			52,907	52,911
Accrued Expenses	97,524	18,863		8,710	125,097
Deferred Revenue	4,000				4,000
Total Liabilities	<u>\$ 139,431</u>	<u>\$ 24,410</u>	<u>\$ 0</u>	<u>\$ 65,560</u>	<u>\$ 229,401</u>
Fund Balances:					
Non-Spendable	\$ 41,154	\$ 3,547		\$ 2,050	\$ 46,751
Restricted		22,655			22,655
Assigned			\$ 945,407		945,407
Unassigned	5,421,812			(2,693)	5,419,119
Total Fund Balances (Deficit)	<u>\$ 5,462,966</u>	<u>\$ 26,202</u>	<u>\$ 945,407</u>	<u>\$ (643)</u>	<u>\$ 6,433,932</u>
Total Liabilities and Fund Balances	<u>\$ 5,602,397</u>	<u>\$ 50,612</u>	<u>\$ 945,407</u>	<u>\$ 64,917</u>	<u>\$ 6,663,333</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, 2023

Total Fund Balance, Governmental Funds		\$ 6,433,932
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 \$2,034,659 accumulated depreciation	997,573	
Computers, net of \$1,067,165 accumulated depreciation	23,932	
Automobiles, net of \$631,147 accumulated depreciation	365,436	
Total		1,798,608
Right of Use Assets (Net of \$151,132 Accumulated Amortization) used in Governmental Activities are not financial resources and therefore are not reported in the funds.		75,566
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		1,885,465
Lease liabilities applicable to the System's Governmental Activities are not due and payable in the current period and accordingly, are not reported as fund liabilities.		(79,366)
Balance of Compensated Absences at June 30, 2023		(172,162)
Total Net Position of Governmental Activities		<u>\$ 9,942,043</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, 2023

	Major Fund			Non-Major	Total
	General	CMC	Capital	Governmental	Governmental
	Fund	Grant	Projects	Funds	Funds
		Fund	Fund		
REVENUES:					
State Grants:					
Area and Per Capita - State Allotment	\$ 3,260,130				\$ 3,260,130
Area and Per Capita - Federal Pass Through	659,722				659,722
Illinois State Library		\$ 640,480		\$ 317,162	957,642
Fees for Services and Material	255,718				255,718
Reimbursements	4,568				4,568
Investment Income	187,877		\$ 42,510		230,387
Other Revenue	73,421		20,917		94,338
Total Revenues	<u>\$ 4,441,436</u>	<u>\$ 640,480</u>	<u>\$ 63,427</u>	<u>\$ 317,162</u>	<u>\$ 5,462,505</u>
EXPENDITURES:					
Current:					
General Library Services:					
Personnel Service	\$ 2,744,636	\$ 552,572		\$ 213,007	\$ 3,510,215
Contractual Services	251,648	81,507		95,161	428,316
Supplies and Materials	716,345	6,401		8,994	731,740
Member Library Reimbursement Expense	5,104				5,104
Capital Outlay			\$ 600,102		600,102
Total Expenditures	<u>\$ 3,717,733</u>	<u>\$ 640,480</u>	<u>\$ 600,102</u>	<u>\$ 317,162</u>	<u>\$ 5,275,477</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 723,703</u>	<u>\$ 0</u>	<u>\$ (536,675)</u>	<u>\$ 0</u>	<u>\$ 187,028</u>
OTHER FINANCING SOURCES (USES):					
Transfers In (Out)	\$ (300,000)				\$ (300,000)
Gain on Disposal of Fixed Assets			\$ 65,151		65,151
Total Other Financing Sources (Uses)	<u>\$ (300,000)</u>	<u>\$ 0</u>	<u>\$ 65,151</u>	<u>\$ 0</u>	<u>\$ (234,849)</u>
NET CHANGE IN FUND BALANCE	423,703	0	(471,524)	0	(47,821)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	5,039,263	26,202	1,416,931	(643)	6,481,753
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 5,462,966</u>	<u>\$ 26,202</u>	<u>\$ 945,407</u>	<u>\$ (643)</u>	<u>\$ 6,433,932</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, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ (47,821)
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures while Governmental Activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlay exceeds depreciation expense in the current period, including gains or losses on disposition of assets.	380,831
Governmental funds report lease payments as expenditures while governmental activities report amortization expense on Right of Use Assets and interest expense on the lease liability to allocate those expenditures over the term of the lease. This is the amount by which the amortization and interest expense exceeds the lease payments in the current period.	(63)
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	(2,443)
Changes in net pension asset/liability, deferred outflows and deferred inflows related to pension assets/liabilities are reported only in the Statement of Activities	(491,289)
Change in Net Position of Governmental Activities	<u>\$ (160,785)</u>

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2023

	Computer Development Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	
Current Assets:	
Cash and Cash Equivalents	\$ 2,410,880
Accounts Receivable	25,500
Prepaid Expenses	190,840
Due From Other Funds	30,800
Total Current Assets	<u>\$ 2,658,020</u>
Noncurrent Assets:	
Capital Assets:	
Depreciable Capital Assets	\$ 3,021,743
Accumulated Depreciation	(2,991,171)
Net Capital Assets	<u>30,572</u>
Total Noncurrent Assets	<u>\$ 30,572</u>
Total Assets	<u>\$ 2,688,592</u>
Deferred Outflows of Resources:	
Deferred Outflow from Pension Contribution	\$ 2,228,566
Total Deferred Outflows of Resources	<u>\$ 2,228,566</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 4,917,158</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION:	
Current Liabilities:	
Accounts Payable	\$ 22,687
Accrued Expenses	40,922
Due to Other Funds	30,800
Unearned Revenue	1,728
Total Current Liabilities	<u>\$ 96,137</u>
Long-Term Liabilities:	
Compensated Absences Payable	\$ 78,819
Net Pension Liability	164,611
Total Long-Term Liabilities	<u>\$ 243,430</u>
Total Liabilities	<u>\$ 339,567</u>
Deferred Inflows of Resources:	
Deferred Inflows of Resources Related to Net Pension Asset	\$ 1,327,342
Total Deferred Inflows of Resources	<u>\$ 1,327,342</u>
Net Position:	
Net Investment in Capital Assets	\$ 30,572
Unrestricted	3,219,677
Total Net Position	<u>\$ 3,250,249</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 4,917,158</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, 2023

	Computer Development Fund
OPERATING REVENUES:	
Charges for Services	\$ 1,481,739
Grants	29,113
Member Library Reimbursement Revenue	85,163
Miscellaneous Income	3,623
Total Operating Revenues	<u>\$ 1,599,638</u>
OPERATING EXPENSES:	
Personnel Services	\$ 1,186,227
Contractual Services	321,853
Supplies and Materials	176,325
Member Library Reimbursement Expense	85,163
Depreciation	66,379
Pension Expense	210,553
Total Operating Expenses	<u>\$ 2,046,500</u>
NET OPERATING INCOME (LOSS)	<u>\$ (446,862)</u>
OTHER INCOME (EXPENSE)	
Investment Income	\$ 80,349
Total Other Income (Expense)	<u>\$ 80,349</u>
NET INCOME (LOSS)	\$ (366,513)
TRANSFERS IN	442,500
TRANSFERS OUT	<u>(142,500)</u>
CHANGE IN NET POSITION	\$ (66,513)
NET POSITION - BEGINNING OF YEAR	<u>3,316,762</u>
NET POSITION - END OF YEAR	<u><u>\$ 3,250,249</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, 2023

	Computer Development Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 1,538,052
Receipts from Interfund Services Provided	29,113
Payments to Vendors	(591,256)
Payments to Employees	(1,172,591)
Net Cash Provided by (Used in) Operating Activities	<u>\$ (196,682)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Operating Transfers From (To) Other Funds	\$ 300,000
Increase in Due to Other Funds	(100)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>\$ 299,900</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment Income	<u>\$ 80,349</u>
NET INCREASE IN CASH	183,567
CASH, BEGINNING OF YEAR	<u>2,227,313</u>
CASH, END OF YEAR	<u><u>\$ 2,410,880</u></u>
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	
Net Operating Income (Loss)	\$ (446,862)
Adjustment to Reconcile Net Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	66,379
(Increase) Decrease in Assets:	
Accounts Receivable	(3,270)
Prepaid Expenses	(29,285)
Deferred Outflows of Resources	(1,958,037)
Increase (Decrease) in Liabilities:	
Accounts Payable	(6,519)
Deferred Inflows of Resources	(678,596)
Net Pension Asset/Liability	2,847,184
Accrued Expenses	7,158
Unearned Revenue	82
Compensated Absences Payable	<u>5,084</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	<u><u>\$ (196,682)</u></u>

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
JUNE 30, 2023

	<u>SWAYS -</u> <u>Custodial Fund</u>	<u>OCLC -</u> <u>Custodial Fund</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash	<u>\$ 2,165</u>	<u>\$ 2,873,545</u>	<u>\$ 2,875,710</u>
LIABILITIES			
Current Liabilities:			
Due To Other Agencies	<u>\$ 1,974</u>	<u>\$ 2,873,545</u>	<u>\$ 2,875,519</u>
NET POSITION	<u>\$ 191</u>	<u>\$ 0</u>	<u>\$ 191</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,165</u>	<u>\$ 2,873,545</u>	<u>\$ 2,875,710</u>

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
JUNE 30, 2023

	<u>SWAYS -</u> <u>Custodial Fund</u>	<u>OCLC -</u> <u>Custodial Fund</u>	<u>Total</u>
REVENUES:			
Total Revenues:	\$ 285	\$ 0	\$ 0
EXPENDITURES:			
Total Expenditures:	\$ 209	\$ 0	\$ 209
NET CHANGE IN POSITION	\$ 76	\$ 0	\$ 0
NET POSITION, BEGINNING OF YEAR	\$ 115	\$ 0	\$ 115
NET POSITION, END OF YEAR	<u>\$ 191</u>	<u>\$ 0</u>	<u>\$ 324</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, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

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

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

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

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

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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.

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

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

The fund types of the System are described below:

Governmental Funds

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Major Special Revenue Fund

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

Capital Projects Fund – Capital Projects Fund 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.

Non-Major Special Revenue Fund

The System's non-major special revenue funds are the OCLC Grant Fund and the Library Trustee Training 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 – Custodial Fund, which is used to account for funds held in trust for participants that participated in the Lewis and Clark Library System when the organization was still in service, 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, 2023

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, 2023 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, 2023, 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, 2023

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

The System has no intangible assets subject to capitalization.

I. Use of Restricted Resources

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

J. Deferred Outflows/Inflows of Resources

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

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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 \$57,945 of Reimbursements Revenue and Contractual Services Expenditures related to the allocation of Administrative and Facilities Costs from the General Fund to certain grant funds, as allowed by the applicable grant agreement. In the government-wide financial statements, this interfund activity has been eliminated.

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2022, the System adopted the provisions of GASB Statement No. 96, *Subscription Based Information Technology Arrangements (SBITAs)*. SBITAs should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation. GASB Statement No. 96 established a single approach to accounting for and reporting SBITAs by state and local governments. Under this statement, a government entity that enters into an arrangement that conveys control of the right to use an underlying information technology (IT) asset must recognize (1) a subscription liability, (2) an intangible asset representing the entity's right to use the subscription asset, (3) report the amortization expense for using the subscription asset over the shorter of the term of the applicable IT arrangement or the useful life of the underlying asset, (4) interest expense on the subscription liability and (5) note disclosures about the applicable IT arrangement. This statement provides exceptions for contracts that meet the definition of a lease under GASB 87, governments that provide the right to use their IT software to other entities through SBITAs, licensing arrangements that provide a perpetual license, contracts that solely provide IT support services, and short-term SBITAs. The District has determined that all contracts of this nature are insignificant and thus, the implementation of GASB Statement No. 96 had no material impact on the financial statements of the Illinois Heartland Library System for the year ended June 30, 2023.

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 2. FUND BALANCE REPORTING (CONTINUED)

inventories or prepaid amounts. The General Fund, CMC Grant Fund, and OCLC Grant Fund, Library Trustee Training Grant Fund had nonspendable funds of \$41,154, \$3,547, \$1,511, and \$539, respectively, at fiscal year end June 30, 2023.

A. Restricted Fund Balance

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

1. State Grants

Proceeds from state and local grants and the related expenditures have been included in the CMC Grant Fund, Capital Projects Fund, and the OCLC Grant Fund. At June 30, 2023, revenue received exceeded expenditures disbursed from state and local grants in the CMC Grant Fund, resulting in restricted fund balances of \$22,655.

B. 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, 2023.

C. Assigned Fund Balance

The assigned fund balance classification refers to amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted or committed. Intent may be expressed by (a) the System's Board itself or (b) the finance committee, if applicable, to assign amounts to be used for specific purposes. The Capital Projects Fund showed an assigned balance of \$945,407, as of June 30, 2023.

D. Unassigned Fund Balance

The unassigned fund balance classification is the residual classification for amounts in the General Operating Funds for amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund, OCLC Grant Fund, and Library Trustee Training Grant Fund showed an unassigned fund balance of \$5,421,812, (\$2,154), and (\$539), respectively, at fiscal year end June 30, 2023.

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 2. FUND BALANCE REPORTING (CONTINUED)

E. Expenditures of Fund Balance

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

NOTE 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2023, are classified in the accompanying financial statements as follows:

Governmental Funds

Cash and Cash Equivalents – Governmental Funds \$6,481,473

Proprietary Funds

Cash and Cash Equivalents – Proprietary Funds \$2,410,880

Fiduciary Funds

Cash and Cash Equivalents – Custodial Funds \$2,875,710

A. Interest Rate Risk

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

B. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The credit risk of investments is addressed by the System's investment policy by limiting investments to instruments insured by the FDIC, issued by the U.S. Treasury, or the Illinois Funds portfolios overseen by the Treasurer of the State of Illinois. The System has \$8,620,330 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, 2023

NOTE 3. CASH AND CASH EQUIVALENTS (Continued)

C. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. None of the System's cash or cash equivalents were considered to be uninsured or uncollateralized as of June 30, 2023.

The System's investment in the state investment pool is fully collateralized. The System maintains a separate investment account representing a proportionate share of the pool assets and its respective collateral; therefore no collateral is identified with each individual participant's account. The balance in the System's state investment pool as of June 30, 2023, was \$8,620,330. The System's investment in the state investment pool is reported at cost which estimate fair value.

NOTE 4. RECEIVABLES

At June 30, 2023, receivables were as follows for the governmental funds and governmental activities:

	<u>Receivables</u>
State Grant	\$ 60,016
Miscellaneous	22,182
Total	<u>\$ 82,198</u>

At June 30, 2023, receivables were as follows for the business-type activities and enterprise fund:

	<u>Receivables</u>
Miscellaneous	\$ 25,500
Total	<u>\$ 25,500</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Not Being Depreciated:				
Land	\$ 411,667	\$ 0	\$ 0	\$ 411,667
Subtotal	\$ 411,667	\$ 0	\$ 0	\$ 411,667
Other Capital Assets:				
Automobiles	\$ 778,725	\$ 349,084	\$ 131,227	\$ 996,582
Buildings and Improvements	2,810,420	221,810		3,032,230
Equipment and Other	2,003,721			2,003,721
Furniture and Fixtures	391,590			391,590
Computers	1,069,221	21,878		1,091,099
Subtotal	\$ 7,053,677	\$ 592,773	\$ 131,227	\$ 7,515,222
Accumulated Depreciation:				
Automobiles	\$ 654,318	\$ 100,473	\$ 123,644	\$ 631,147
Buildings and Improvements	1,932,350	102,308		2,034,658
Equipment and Other	2,003,721			2,003,721
Furniture and Fixtures	391,590			391,590
Computers	1,065,586	1,579		1,067,165
Subtotal	\$ 6,047,565	\$ 204,360	\$ 123,644	\$ 6,128,281
Net Other Capital Assets	\$ 1,006,112	\$ 388,413	\$ 7,583	\$ 1,386,941
Net Capital Assets	\$ 1,417,779	\$ 388,413	\$ 7,583	\$ 1,798,608

Current year depreciation expense was charged to the following function:

General Library Services	<u>\$204,360</u>
--------------------------	------------------

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 5. CAPITAL ASSETS (CONTINUED)

The following is a summary of the changes in capital assets of the business-type activities and enterprise fund for the year ended June 30, 2023:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Other Capital Assets:				
Equipment and Other	\$ 1,679,402			\$ 1,679,402
Computers	<u>1,342,341</u>			<u>1,342,341</u>
Subtotal	<u>\$ 3,021,743</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,021,743</u>
Accumulated Depreciation:				
Equipment and Other	\$ 1,679,402			\$ 1,679,402
Computers	<u>1,245,390</u>	<u>\$ 66,379</u>		<u>1,311,769</u>
Subtotal	<u>\$ 2,924,792</u>	<u>\$ 66,379</u>	<u>\$ 0</u>	<u>\$ 2,991,171</u>
Net Capital Assets	<u>\$ 96,951</u>	<u>\$ (66,379)</u>	<u>\$ 0</u>	<u>\$ 30,572</u>

Current year depreciation expense was charged to the following function:

 Computer Development \$66,379

NOTE 6. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in the System's long-term liabilities of the governmental activities for the year ended June 30, 2023:

	<u>June 30, 2022</u>	<u>Current Year Change</u>	<u>June 30, 2023</u>	<u>Due Within One Year</u>
Accrued				
Compensated Absences	<u>\$ 169,719</u>	<u>\$ 2,443</u>	<u>\$ 172,162</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, 2023:

	<u>June 30, 2022</u>	<u>Current Year Change</u>	<u>June 30, 2023</u>	<u>Due Within One Year</u>
Accrued				
Compensated Absences	<u>\$ 73,734</u>	<u>\$ 5,085</u>	<u>\$ 78,819</u>	<u>\$ 0</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables at June 30, 2023, are summarized below:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental Funds:		
General Fund	\$ 52,907	\$ 4
OCLC Fund		547
Library Trustee Training Grant Fund	4	52,360
Proprietary Fund:		
Computer Development Fund	30,800	30,800
Total	<u>\$ 83,711</u>	<u>\$ 83,711</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, 2023, are summarized below:

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General Fund		\$ 300,000
Proprietary Fund:		
Computer Development Fund	\$ 442,500	142,500
Total	<u>\$ 442,500</u>	<u>\$ 442,500</u>

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

NOTE 8. RISK OF LOSS

Significant losses are covered by commercial insurance for property, liability, and workers compensation. During the year ended June 30, 2023, 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 four years.

NOTE 9. LEASES

The System has a lease with Southern Illinois University-Carbondale for office space rent. The term is for 5 years commencing on July 1, 2019 and ending June 30, 2024. The total costs of the District's Right of Use Assets are recorded as \$226,698, less accumulated amortization of \$151,132, as of June 30, 2023.

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 9. LEASES (CONTINUED)

This lease has resulted in a lease liability of \$79,367. The annual requirements to retire this lease are as follows:

<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 79,367	\$ 2,166	\$ 81,533
2025	0	0	0
2026	0	0	0
2027	0	0	0
2028	0	0	0
Total	<u>\$ 79,367</u>	<u>\$ 2,166</u>	<u>\$ 81,533</u>

NOTE 10. COMMITMENTS AND CONTINGENCIES

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

NOTE 11. CONCENTRATION OF REVENUE

For the year ended June 30, 2023, 69 percent of the System's revenue was received through grants or allocations from the Illinois Secretary of State's Office through the Illinois State Library.

NOTE 12. RELATED PARTY TRANSACTIONS

The System's Board of Directors is comprised of representatives from its member organizations. Member organizations pay fees to the System for various services. For the year ended June 30, 2023, total charges for services revenue earned from these organizations was \$144,638.

NOTE 13. DEFINED BENEFIT PENSION PLAN

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 13. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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, 2022, the following employees were covered by the Plan:

Active Employees	56
Inactive employees or beneficiaries currently receiving benefits	227
Inactive employees entitled to but not yet receiving benefits	<u>72</u>
Total	<u>355</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 2022 was 0.87 percent. For the fiscal year ended June 30, 2023, the System contributed \$29,926 to the plan. The System also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability. The System's net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 13. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Cost Method	Entry Age Normal
Assets Valuation Method	Market Value of Assets
Price Inflation	2.25%
Salary Increases	2.85% to 13.75%
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.

A detailed description of the actuarial assumptions and methods can be found in the December 31, 2022 Illinois Municipal Retirement Fund annual actuarial valuation report.

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 13. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Class	Target Allocation	Return 12/31/2022	Projected Returns/Risk	
			One Year Arithmetic	Ten Year Geometric
Equities	35.50%	-19.12%	7.82%	6.50%
International Equities	18.00%	-17.86%	9.23%	7.60%
Fixed Income	25.50%	-11.83%	5.01%	4.90%
Real Estate	10.50%	12.83%	7.10%	6.20%
Alternatives	9.50%	3.99%		
Private Equity		N/A	13.43%	9.90%
Hedge Funds		N/A	N/A	N/A
Commodities		N/A	7.42%	6.25%
Cash Equivalents	1.00%	2.44%	4.00%	4.00%
Total	100.00%			

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

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

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.25%, the municipal bond rate is 4.05%, and the resulting single discount rate is 7.25%.

Changes in System's Net Pension Liability. Changes in the System's net pension liability for the year ended December 31, 2022, were as follows:

	Total Pension Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance, December 31, 2021	\$ 33,814,470	\$ 42,919,469	\$ (9,104,999)
Changes for the year:			
Service Cost	253,687		253,687
Interest	2,368,278		2,368,278
Difference between expected and actual experience	668,797		668,797
Changes in assumptions			0
Contributions-employees		140,853	(140,853)
Contributions- employer		27,231	(27,231)
Net investment income		(6,173,137)	6,173,137
Benefit payments including refunds of employee Contributions	(2,550,820)	(2,550,820)	0
Other (Net Transfer)		(194,806)	194,806
Net Changes	\$ 739,942	\$ (8,750,679)	\$ 9,490,621
Balance, December 31, 2022	\$ 34,554,412	\$ 34,168,790	\$ 385,622

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 13. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

	<u>Discount Rate</u>	<u>Net Pension Liability (Asset)</u>
1% decrease	6.25%	\$ 3,639,977
Current discount rate	7.25%	385,622
1% increase	8.25%	(2,326,094)

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, 2023, the System recognized pension expense of \$701,842. At June 30, 2023, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 160,554	
Changes of assumptions		
Net difference between projected and actual earnings on Plan investments	7,353,090	\$ 4,522,128
Contributions after Measurement Date	16,185	
Total	<u>\$ 7,529,829</u>	<u>\$ 4,522,128</u>

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

	<u>Year ending December 31,</u>
2023	(241,869)
2024	413,477
2025	997,822
2026	1,838,271
2027	0
Thereafter	0
Total	<u>\$ 3,007,701</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 14. EXCESS OF EXPENDITURES OVER BUDGET

There were no major funds that had excess expenditures over budget for the fiscal year ended June 30, 2023.

NOTE 15. OTHER POST EMPLOYMENT BENEFITS

The System currently offers two post-employment benefits to retirees. Those benefits are 1) continuation of participation in the System's health insurance plan as required by law for a period of 18 months (COBRA coverage) and 2) retiree continuation of health insurance coverage on the System's plan beyond the COBRA period. In relation to both of these benefits, the retiree pays 100% of their own premium cost. As of June 30, 2023, no retirees were covered under COBRA coverage and no retirees were currently participating in the health insurance coverage. There were two employees participating in the dental and vision plan, which the retirees were required to pay 100% of their own premium cost. Due to the limited number of participants in the plan, and the insignificance of the cost incurred by the System, no Other Post Employment Benefit's liability has been recorded as of June 30, 2023.

NOTE 16. PENSION PLAN

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

NOTE 17. SUBSEQUENT EVENTS

Management has evaluated the effect of subsequent events on the financial statements through August 28, 2023, 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, 2023

	<u>Budget</u>		<u>Actual</u>	<u>(Actual - Final Budget)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
State Grants:				
Area and Per Capita - State Allotment	\$ 3,260,278	\$ 3,260,278	\$ 3,260,130	\$ (148)
Area and Per Capita - Federal Pass Through	659,722	659,722	659,722	
Fees for Services and Material	258,818	258,818	255,718	(3,100)
Reimbursements	1,468	1,468	4,568	3,100
Investment Income	2,221	2,221	187,877	185,656
Other Revenue	89,130	81,148	73,421	(7,727)
Total Revenues	<u>\$ 4,271,637</u>	<u>\$ 4,263,655</u>	<u>\$ 4,441,436</u>	<u>\$ 177,781</u>
EXPENDITURES:				
Current:				
General Library Services:				
Personnel Service	\$ 3,003,445	\$ 3,003,445	\$ 2,744,636	\$ (258,809)
Contractual Services	380,749	380,749	251,648	(129,101)
Supplies and Materials	991,021	991,021	716,345	(274,676)
Member Library Reimbursement Expense	1,468	1,468	5,104	3,636
Total Expenditures	<u>\$ 4,376,683</u>	<u>\$ 4,376,683</u>	<u>\$ 3,717,733</u>	<u>\$ (658,950)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (105,046)</u>	<u>\$ (113,028)</u>	<u>\$ 723,703</u>	<u>\$ 836,731</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>	<u>\$ 0</u>
Total Other Financing Sources (Uses)	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>	<u>\$ 0</u>
NET CHANGE IN FUND BALANCE	<u>\$ (405,046)</u>	<u>\$ (413,028)</u>	<u>\$ 423,703</u>	<u>\$ 836,731</u>
FUND BALANCE - BEGINNING OF YEAR			<u>5,039,263</u>	
FUND BALANCE - END OF YEAR			<u>\$ 5,462,966</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, 2023

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u> <u>(Actual -</u> <u>Final Budget)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
State Grants:				
Illinois State Library	\$ 662,783	\$ 662,783	\$ 640,480	\$ (22,303)
Total Revenues	<u>\$ 662,783</u>	<u>\$ 662,783</u>	<u>\$ 640,480</u>	<u>\$ (22,303)</u>
EXPENDITURES:				
Current:				
General Library Services:				
Personnel Service	\$ 574,936	\$ 574,936	\$ 552,572	\$ (22,364)
Contractual Services	80,710	80,710	81,507	797
Supplies and Materials	7,137	7,137	6,401	(736)
Total Expenditures	<u>\$ 662,783</u>	<u>\$ 662,783</u>	<u>\$ 640,480</u>	<u>\$ (22,303)</u>
NET CHANGE IN FUND BALANCE	<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, 2023

	Budget		Actual	Variance (Actual - Final Budget)
	Original	Final		
REVENUES:				
Investment Income	\$ 1,274	\$ 1,274	\$ 42,510	\$ 41,236
Other Revenue		25,000	20,917	(4,083)
Total Revenues	<u>\$ 1,274</u>	<u>\$ 26,274</u>	<u>\$ 63,427</u>	<u>\$ 37,153</u>
EXPENDITURES:				
Capital Outlay	\$ 874,500	\$ 899,500	\$ 600,102	\$ (299,398)
Total Expenditures	<u>\$ 874,500</u>	<u>\$ 899,500</u>	<u>\$ 600,102</u>	<u>\$ (299,398)</u>
OTHER FINANCING SOURCES (USES)				
Gain on Disposal of Fixed Assets			\$ 65,151	\$ 65,151
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 65,151</u>	<u>\$ 65,151</u>
NET CHANGE IN FUND BALANCE	<u>\$ (873,226)</u>	<u>\$ (873,226)</u>	\$ (471,524)	<u>\$ (401,702)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>1,416,931</u>	
FUND BALANCE - END OF YEAR			<u>\$ 945,407</u>	

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023.

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,

Total Pension Liability

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Service Cost	\$ 253,687	\$ 220,516	\$ 228,448	\$ 224,615	\$ 179,185	\$ 186,886	\$ 240,821	\$ 208,201	\$ 235,055	
Interest on the Total Pension Liability	2,368,278	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	
Difference between Expected and Actual Experience	668,797	(48,565)	(37,780)	368,851	337,494	504,869	(214,774)	616,002	139,024	
Assumption Changes	0	0	(204,627)	0	736,512	(997,797)	0	0	1,138,977	
Benefit Payments and Refunds	(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	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	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)	<u>\$ 34,554,412</u>	<u>\$ 33,814,470</u>	<u>\$ 33,713,705</u>	<u>\$ 33,812,664</u>	<u>\$ 33,267,552</u>	<u>\$ 31,959,512</u>	<u>\$ 32,059,109</u>	<u>\$ 31,762,552</u>	<u>\$ 30,687,677</u>	

Plan Fiduciary Net Position

Employer Contributions	\$ 27,231	\$ 103,134	\$ 183,339	\$ 40,470	\$ 177,666	\$ 202,868	\$ 273,509	\$ 325,404	\$ 442,904	
Employee Contributions	140,853	117,027	110,564	108,703	93,727	84,381	94,367	132,256	91,501	
Pension Plan Net Investment Income	(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	(2,550,820)	(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	(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	(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	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)	<u>\$ 34,168,790</u>	<u>\$ 42,919,469</u>	<u>\$ 38,856,004</u>	<u>\$ 35,922,501</u>	<u>\$ 31,535,168</u>	<u>\$ 35,003,464</u>	<u>\$ 31,569,030</u>	<u>\$ 30,634,056</u>	<u>\$ 31,303,852</u>	
Net Pension Liability/(Asset) -Ending (a)-(b)	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	98.88%	126.93%	115.25%	106.24%	94.79%	109.52%	98.47%	96.45%	102.01%	
Covered Valuation Payroll	\$ 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	12.32%	(350.11%)	(219.90%)	(92.97%)	83.17%	(169.10%)	24.28%	50.25%	(32.57)%	

Notes to Schedule:

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS

LAST 10 CALENDAR YEARS

<u>Calendar Year</u> <u>Ending</u> <u>December 31,</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Valuation</u> <u>Payroll</u>	<u>Actual Contribution</u> <u>as a % of</u> <u>Covered</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%

*Estimated based on contribution rate of 0.87% and covered valuation payroll of \$3,130,052. This number should be verified by the auditor.

Notes to Schedule:

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE SCHEDULE OF CONTRIBUTIONS
SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS
USED IN THE CALCULATION OF THE 2022 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 2022 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): 21-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 16 years for most employers (five employers were financed over 17 years; one employer were financed over 18 years; two employers were financed over 19 years; one employer were financed over 20 years; three employer were financed over 25 years; four employers were financed over 26 years and one employer was financed over 27 years).
Asset Valuation Method	5-Year smoothed market; 20% corridor
Wage Growth	2.75%
Price Inflation	2.25%
Salary Increases	2.85% 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%) ad 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, Generl, 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, 2020 actuarial valuation

ILLINOIS HEARTLAND LIBRARY SYSTEM
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2023

	OCCLC Grant	Library Trustee Training Grant	Total Non-Major Special Revenue Fund
ASSETS			
Cash and Cash Equivalents	\$ 2,847		\$ 2,847
Due from Other Funds		\$ 4	4
Prepaid Expenses	1,511	539	2,050
Accounts Receivable		60,016	60,016
Total Assets	<u>\$ 4,358</u>	<u>\$ 60,559</u>	<u>\$ 64,917</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 11	\$ 3,932	\$ 3,943
Due to Other Funds	547	52,360	52,907
Accrued Expenses	4,443	4,267	8,710
Total Liabilities	<u>\$ 5,001</u>	<u>\$ 60,559</u>	<u>\$ 65,560</u>
Fund Balances:			
Nonspendable	\$ 1,511	\$ 539	\$ 2,050
Unassigned	(2,154)	(539)	(2,693)
Total Fund Balances (Deficit)	<u>\$ (643)</u>	<u>\$ 0</u>	<u>\$ (643)</u>
Total Liabilities and Fund Balances	<u>\$ 4,358</u>	<u>\$ 60,559</u>	<u>\$ 64,917</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>OCLC Grant</u>	<u>Library Trustee Training Grant</u>	<u>Total Non-Major Special Revenue Funds</u>
REVENUES:			
State Grants:			
Illinois State Library	\$ 160,318	\$ 156,844	\$ 317,162
Total Revenues	<u>\$ 160,318</u>	<u>\$ 156,844</u>	<u>\$ 317,162</u>
EXPENDITURES:			
General Library Services:			
Personnel Service	\$ 128,813	84,194	\$ 213,007
Contractual Services	25,329	\$ 69,832	95,161
Supplies and Materials	6,176	2,818	8,994
Total Expenditures	<u>\$ 160,318</u>	<u>\$ 156,844</u>	<u>\$ 317,162</u>
NET CHANGE IN FUND BALANCE	\$ 0	\$ 0	\$ 0
FUND BALANCE (DEFECIT), BEGINNING OF YEAR	<u>(643)</u>	<u>0</u>	<u>(643)</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ (643)</u>	<u>\$ 0</u>	<u>\$ (643)</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Budget		
	Original	Final	Actual
REVENUES:			
State Grants:			
Area and Per Capita - State Allotment	\$ 3,260,278	\$ 3,260,278	\$ 3,260,130
Area and Per Capita - Federal Pass Through	659,722	659,722	659,722
Fees for Services and Material	258,818	258,818	255,718
Reimbursements	1,468	1,468	4,568
Investment Income	2,221	2,221	187,877
Other Revenue	89,130	81,148	73,421
Total Revenues	<u>\$ 4,271,637</u>	<u>\$ 4,263,655</u>	<u>\$ 4,441,436</u>
EXPENDITURES:			
General Library Services:			
Personnel			
Salaries and Wages	\$ 2,414,248	\$ 2,414,248	\$ 2,291,143
Payroll Taxes and Fringe Benefits	563,547	563,547	425,508
Recruiting	5,600	5,600	8,083
Training and Professional Development	20,050	20,050	19,902
Contractual Services			
Contractual Agreements	80,458	80,458	50,700
Travel, Meetings, and Continuing Education for Staff and Board	83,393	83,393	31,600
Professional Services	37,950	37,950	20,752
Consulting	10,000	10,000	4,130
Contractual Staff	35,000	35,000	34,800
Liability Insurance	20,194	20,194	19,840
Telephone and Telecommunications	31,902	31,902	22,944
Conferences and Continuing Education Meetings	32,450	32,450	35,604
Professional Association Membership Dues	6,916	6,916	6,320
Public Relations	42,486	42,486	24,958
Supplies and Materials			
Computer Supplies	43,350	43,350	38,203
General Office Supplies and Equipment	82,750	82,750	3,746
Postage	1,080	1,080	782
Delivery Supplies	14,400	14,400	16,305
Buildings and Grounds	277,409	277,409	228,940
Vehicle Expenses	555,823	555,823	416,409
Miscellaneous	10,090	10,090	7,028
Equipment Rental, Repair, and Maintenance	6,119	6,119	4,932
Member Library Reimbursement Expense	1,468	1,468	5,104
Total Expenditures	<u>\$ 4,376,683</u>	<u>\$ 4,376,683</u>	<u>\$ 3,717,733</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (105,046)</u>	<u>\$ (113,028)</u>	<u>\$ 723,703</u>
OTHER FINANCING SOURCES (USES):			
Transfers Out	\$ (300,000)	\$ (300,000)	\$ (300,000)
Total Other Financing Sources (Uses)	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (405,046)</u>	<u>\$ (413,028)</u>	<u>\$ 423,703</u>
FUND BALANCE - BEGINNING OF YEAR			5,039,263
FUND BALANCE - END OF YEAR			<u>\$ 5,462,966</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, 2023

	Budget		Actual
	Original	Final	
REVENUES:			
State Grants:			
Illinois State Library	\$ 662,783	\$ 662,783	\$ 640,480
Total Revenues	\$ 662,783	\$ 662,783	\$ 640,480
EXPENDITURES:			
General Library Services:			
Personnel	\$ 574,936	\$ 574,936	\$ 552,572
Contractual Services			
Contractual Agreements	64,538	64,538	58,244
Travel, Meetings, and Continuing Education for Staff and Board	7,660	7,660	10,763
Professional Services	1,000	1,000	4,991
Professional Association Membership Dues	975	975	850
Telephone and Telecommunications	4,837	4,837	4,725
Conferences and Continuing Education Meetings			
Public Relations	1,700	1,700	1,934
Supplies and Materials			
Computer Supplies	4,800	4,800	4,175
Supplies, Postage and Printing	200	200	575
Vehicle Expenses	550	550	78
Equipment Rental, Repair, and Maintenance	1,587	1,587	1,573
Total Expenditures	\$ 662,783	\$ 662,783	\$ 640,480
NET CHANGE IN FUND BALANCE	\$ 0	\$ 0	\$ 0
FUND BALANCE - BEGINNING OF YEAR			26,202
FUND BALANCE - END OF YEAR			\$ 26,202

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, 2023

	Budget		Actual
	Original	Final	
REVENUES:			
State Grants:			
Illinois State Library	\$ 160,318	\$ 160,318	\$ 160,318
Total Revenues	<u>\$ 160,318</u>	<u>\$ 160,318</u>	<u>\$ 160,318</u>
EXPENDITURES:			
General Library Services:			
Personnel	\$ 128,268	\$ 128,268	\$ 128,813
Contractual Services			
Contractual Agreements	20,026	20,026	14,592
Professional Services	1,485	1,485	8,642
Telephone & Telecommunication	2,235	2,235	2,095
Supplies and Materials			
Computer Supplies			2,561
Equipment Rental, Repair, and Maintenance	3,651	3,651	2,947
Supplies, Postage and Printing	4,653	4,653	668
Total Expenditures	<u>\$ 160,318</u>	<u>\$ 160,318</u>	<u>\$ 160,318</u>
NET CHANGE IN FUND BALANCE	<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, 2023

	Budget		Actual
	Original	Final	
REVENUES:			
Illinois State Library	\$ 244,641	\$ 156,844	\$ 156,844
Total Revenues	<u>\$ 244,641</u>	<u>\$ 156,844</u>	<u>\$ 156,844</u>
EXPENDITURES:			
General Library Services:			
Personnel	\$ 94,361	\$ 84,551	\$ 84,194
Contractual Services			
Contractual Agreements	68,370	45,939	26,626
Travel, Meetings, and Continuing Education for Staff and Board	1,112		365
Professional Services	75,070	22,670	42,221
Professional Association Membership Dues	500	500	
Telephone and Telecommunications	384	384	304
Public Relations	1,320	40	316
Supplies and Materials			
Supplies, Postage and Printing	3,024	2,560	2,797
Vehicle Expenses	500	200	21
Total Expenditures	<u>\$ 244,641</u>	<u>\$ 156,844</u>	<u>\$ 156,844</u>
NET CHANGE IN FUND BALANCE	<u>\$ 0</u>	<u>\$ 0</u>	\$ 0
FUND BALANCE - BEGINNING OF YEAR			<u>0</u>
FUND BALANCE - END OF YEAR			<u>\$ 0</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Budget		
	Original	Final	Actual
REVENUES:			
Investment Income	\$ 1,274	\$ 1,274	\$ 42,510
Other Revenue		25,000	20,917
Total Revenues	<u>\$ 1,274</u>	<u>\$ 26,274</u>	<u>\$ 63,427</u>
EXPENDITURES:			
Capital Outlay	\$ 874,500	\$ 899,500	\$ 600,102
Total Expenditures	<u>\$ 874,500</u>	<u>\$ 899,500</u>	<u>\$ 600,102</u>
OTHER FINANCING SOURCES (USES)			
Gain on Disposal of Fixed Assets			\$ 65,151
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 65,151</u>
NET CHANGE IN FUND BALANCE	<u>\$ (873,226)</u>	<u>\$ (873,226)</u>	\$ (471,524)
FUND BALANCE - BEGINNING OF YEAR			<u>1,416,931</u>
FUND BALANCE - END OF YEAR			<u>\$ 945,407</u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

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>156,844</u>
Total Expenditures of Federal Awards			<u><u>\$ 816,566</u></u>

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

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, 2023. 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, 2023.

Subrecipient Monitoring

Illinois Heartland Library System did not pass through any of its federal funds to subrecipients during the year ended June 30, 2023.

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, 2023

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 2023-01

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

AL Number
45.310

Name of Federal Program
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, 2023

FINDINGS – 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
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

FINDING – FINANCIAL STATEMENT AUDIT

Finding 2022-1 – 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.

Compliance and Other Matters

2022-02

Condition: The System had several individuals who failed to timely file an economic interest state pursuant to the Illinois Government Ethics Act [5 ILCS 420/4A-101]. Out of 36 qualified individuals, 3 had not timely filed by the May 1st deadline.

Recommendation: The System should check with the County to see that all qualifying persons file economic interest statements timely to ensure compliance with the Illinois Government Ethics Act [5 ILCS 420/4A-101].

View of Responsible Officials and Planned Corrective Action: Management has agreed with the recommendation and will have personnel follow up more diligently with the County Clerk in the future to verify that all qualified persons have filed in a timely manner.

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

FINDING – FINANCIAL STATEMENT AUDIT (CONTINUED)

Compliance and Other Matters (Continued)

2022-03

Condition: As of fiscal year end, the System had one fund (CMC Grant Fund) that had expenditures in excess of its approved budget.

Recommendation: The System should adopt a reasonable budget and amend the budget as necessary in order to stay compliant.

View of Responsible Officials and Planned Corrective Action: Management understands the importance of spending within its legal budgetary authority. The amounts over budget are due to payroll accruals related to employees transitioning from one program to a new program. In the future, management will take these potential adjustments into consideration.



Illinois Heartland Library System

August 28, 2023

CORRECTIVE ACTION PLAN

Illinois State Library

The Illinois Heartland Library System respectfully submits the following corrective action plan for the year ended June 30, 2023.

Name and address of independent public accounting firm:

Scheffel Boyle
322 State Street
Alton, IL 62002

Audit Period: For the Year Ended June 30, 2023

The findings from the June 30, 2023, 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

2023-1

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.

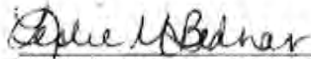
View of Responsible Officials and Planned Corrective Action: Management has considered the recommendation but feels that the accounting staff maintains adequate books and records of the System's transactions. Additionally, management does not believe that it is cost beneficial to hire additional accounting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

IMAGINING TOMORROW - DELIVERING POSSIBILITIES TODAY!

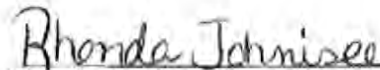
1140 Innovation Drive, Carbondale, IL 62902 • 618-985-3711
1704 West Interstate Drive, Champaign, IL 61822 • 217-252-0047
3750 Oakview Road, Edwardsville, IL 62025 • 618-626-0216
www.illinoisheartland.org • 1-855-8401-Fix

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, 2023



ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON

August 25, 2023

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 in the attached pages, which were agreed to by the Board of Directors of Illinois Heartland Library System, for the year ended June 30, 2023. 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. 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 American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination, or review, the objective of which would be the expression of an opinion 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.

Scheffel Boyle

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, 2023 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 30, 2023 bank balances 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, 2023, 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, 2023, 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.



Attachment 6 Latest Approved Bylaws



Article I Name

The name of the organization shall be Illinois Heartland Library System, hereinafter referred to as the System.

Article II Authority

The System derives its authority from the Illinois Library System Act, 75 Illinois Compiled Statutes 10/1 et.seq. as amended (hereinafter called "Statutes"); and operates in accordance with the Administrative Rules of Title 23, Part 3030 of the Illinois Administrative Code (hereinafter called "Administrative Rules") promulgated thereunder.

Article III Purpose/Objectives/Vision & Mission

Section 1. The System is a cooperative multi-type library system serving academic, public, school, and special libraries of central and southern Illinois in the counties of Alexander, Bond, Calhoun, Champaign, Christian, Clark, Clay, Clinton, Coles, Crawford, Cumberland, Douglas, Edgar, Edwards, Effingham, Fayette, Ford, Franklin, Gallatin, Greene, Hamilton, Hardin, Iroquois, Jackson, Jasper, Jefferson, Jersey, Johnson, Lawrence, Macon, Macoupin, Madison, Marion, Massac, Menard, Monroe, Montgomery, Moultrie, Perry, Piatt, Pope, Pulaski, Randolph, Richland, Sangamon, Saline, St. Clair, Shelby, Union, Vermilion, Wabash, Washington, Wayne, Williamson, White, and parts of DeWitt, Logan and Mason and other counties that may be associated with the System in the future.

Section 2. The System envisions a future where all libraries and information partners collaborate to provide accessible and innovative services. (Vision) The System is a community of multi-type libraries developing partnerships and sharing resources in pursuit of excellent service. (Mission)

Section 3. In accordance with its Strategic Plan and its Annual Plan of Service, the System provides services and facilitates cooperation among its member libraries in order to implement the objectives stated in the Statutes and Administrative Rules.

Section 4. To achieve its purpose, the System responsibly utilizes the Area & Per Capita Grant appropriation from the Illinois General Revenue Fund and Live and Learn Fund as disbursed and administered by the Illinois State Library as a department of the Secretary of State's Office. Additionally, the System actively pursues alternative revenue streams and earned income opportunities to fulfill its mission.

Article IV Fiscal Year

The fiscal year of the System shall begin with July 1 and end with June 30.

Article V Membership

Section 1. The Statutes and Administrative Rules of the State of Illinois and the Membership Criteria of the System govern Membership in the System. All academic, public, school and special libraries whose governing authority headquarters are within the geographic boundaries of the System are eligible to apply for membership. Participating libraries will hereinafter be known as Members. Acceptance is subject to the approval of the Board of Directors of the System and the State Librarian and implies agreement by the applying library to applicable State statutes and rules and to the System's Bylaws, policies and Plan of Service. Members agree to comply with policies, rules and regulations required for maintaining Membership.

Section 2. Any Member library may be suspended from Membership if not in compliance with State statutes or System requirements. Members will remain in good standing as long as they meet System and State Membership criteria in compliance with statute 75 ILCS 10/9. Specific information about Suspension can be found in the Administrative Rules (3030.115).

Section 3. Transfer of a Member library to another System shall be governed by the administrative rules of the Illinois State Library.

Section 4. Upon written notice on or before April 1 of any year, a member library governing authority may voluntarily terminate System membership on or before June 30 of the same year (the end of the System's fiscal year) and upon fulfillment of all outstanding obligations to the System.

Article VI Board of Directors

Section 1. The System shall be governed by a Board of Directors of fifteen (15) members. No library shall be represented by more than one Board member. All Board members must be eligible electors in the geographical area of the System. Eligible electors are individuals who are eligible to register to vote within the territory of the System.

Section 2. Duties of Board

The Board of Directors of the System shall have the authority to make such policy to carry out the spirit and intent of The Illinois Library System Act, and shall have the powers conferred by the Act.

Section 3.

The Board of Directors shall be composed of elected members according to the following manner:

- a. Eight (8) members from the governing boards of public library members.
- b. Two (2) members representing public libraries
- c. Three (3) members representing school libraries
- d. One (1) member representing special libraries
- e. One (1) member representing academic libraries

Section 4. Nominating Committee for the Board of Directors.

A Nominating Committee of five (5) members, who shall be eligible electors within the geographic area of the System, shall be appointed by the President of the System Board, with Board approval, in

November of each year. It is the preference of the Board that a minimum of two members from the current Nominating Committee will serve the following year in order to ensure continuity of the process. No currently sitting System Board member may serve on the Nominating Committee and no Nominating Committee Member may be slated for that election to the System Board.

a. The Nominating Committee shall select and confirm candidates for election to the System Board representing all geographic areas. Nominees must be members of a governing board of a member library, professional staff or the administration of the type of library to be represented as set out in these Bylaws. The call for nominations will be appropriately publicized to the Members of the System and any member may propose names for the Nominating Committee's consideration. Additional nominations may be sent to the Nominating Committee upon written petitions of ten (10) member libraries represented by the type of seat on the System Board to be filled. Such petitions, accompanied by written acceptance of the nominee, must be filed with the System Board Secretary who will forward them to the Chair of the Nominating Committee for inclusion on the list of nominees. Criteria for the inclusion or any elimination of names to appear on the ballot will be developed by the Nominating Committee, and this information will be included with the certification results presented to the Board at its May meeting. The determination of the final slate of candidates is the responsibility of the Nominating Committee, with the goal of creating a balanced ballot representative of all System members.

b. The Nominating Committee shall prepare a ballot and certify that all candidates are eligible electors in the geographic area of the System. The ballot will include no more than six (6) eligible candidates for each open seat. Any incumbent board member running for a second term will automatically be awarded a slot on the ballot. In the event that there are no eligible candidates for an open position on the IHLS board, there will be a write-in vote. Any viable write-in candidate will be required to meet all eligibility criteria for the specific board position and must receive a minimum of five (5) affirmative votes in order to win election. The nominating committee must verify the winning candidate. If there is no clear winner from the write-in vote, the president will appoint a new board member.

c. The ballot will be distributed to each member library agency electronically by March 15. A library agency is defined as a library or libraries with a single governing body or corporate authority. For example, a public library with branches would be counted as a single agency as would a school district with libraries in several buildings. Each library will be entitled to return only one ballot for its choice of candidates for the System Board of Directors. Before the vote is cast, each library agency should determine who will be responsible for casting the vote for its agency. The Nominating Committee will accept only the first completed ballot, if multiple votes are cast by the same library agency.

d. Ballots must be completed and submitted by April 15th to be counted. In the event of a tie, a subsequent election to break the tie will be announced no later than April 25th. This ballot will be available electronically for one full week. The Nominating Committee will certify the election results to the System Board of Directors at its May meeting each year.

Section 5. Terms of Office

- a. Except for those Board members who are elected to the Initial System Board in 2011 and who draw either one or two year terms as provided in Section 4d above, and for those board members whose term might be limited by Section 5b below, all Board members will be elected for a term of three (3) years.
- b. No Board member shall be permitted to serve for more than a total of six (6) consecutive years unless two (2) years have elapsed since his/her sixth year of service.
- c. All terms of office shall be staggered, with one-third of the board seats ending each year.
- d. Terms of office begin on July 1 and end on June 30, the System's fiscal year.
- e. Any appointment to the System Board for a partial term is counted as a full year of service at the conclusion of the most current fiscal year.
- f. Prior service in office on the board of directors of any Illinois Library System, shall count toward the statutory maximum of serving a total of no more than six (6) years as a director, unless two years has elapsed since their sixth year of service.

Section 6. Economic Interest

- a. No member of the System Board may profit personally, either directly or indirectly, from any business connected with the System.
- b. Each member of the System Board shall file a Statement of Economic Interest pursuant to the Illinois Governmental Ethics Act.
- c. All records and accounts of the System shall be kept in the System headquarters office and in the custody of the Executive Director. All such records and accounts shall be open to the inspection and use of all members of the System Board at all reasonable times.
- d. The members of the System Board shall serve without compensation, but their actual and necessary expenses shall be paid by the System.

Section 7.

Should a board member no longer be an eligible elector within the geographic area of the System, or leave the local position by virtue of which he/she was eligible, nominated and elected, the seat shall be declared vacant. Vacancies may be filled by appointment by the remaining members of the Board. The appointee shall serve for the unexpired term of the Director replaced. Persons appointed must have the same qualifications as those elected, and represent the constituency of the vacant seat.

Section 8. Officers

- a. The Officers of the Board of Directors shall be a President, Vice-President, Secretary, and Treasurer.
- b. The Board Nominating Committee shall present a slate of candidates to the Board at the first meeting of the fiscal year. Additional nominations may be made from the floor. The Directors shall then vote on the slate of candidates.

- c. The Officers shall be elected for one year, and no Officer shall serve more than two consecutive terms. A term of six months or more shall be considered a full term.
- d. The duties of the Officers shall be:
 - i. The President shall preside at all meetings of the Board, appoint any necessary committees, be an ex officio member of all committees, and be entitled to vote on such committees.
 - ii. The Vice-President shall preside at meetings in the absence of the President, and shall in case of the resignation of the President assume the President's responsibilities until the election of a new President.
 - iii. The Secretary shall have responsibility for the records of the Board of Directors.
 - iv. The Treasurer shall be chairperson of the Finance Committee. Before entering the duties, the Treasurer shall be required to give a bond in an amount to be approved by the Board, but in no case less than the minimum amount specified in the Library System Act.
 - v. Should an office become vacant prior to the expiration of the term of that office, the Directors shall elect from their members an Officer to fill the unexpired term.

Section 9. Attendance of Board members

Board members are expected to fulfill the duties imposed on them by the nature of their office. Board members must notify the System Executive Director if they are unable to attend a board meeting. When a Board member is absent from a meeting, the following actions will be taken. The President shall notify in writing any member missing his or her second meeting. Upon a member's third absence the topic will be included on the agenda for discussion at the next meeting. The System Board, by a majority vote may, with a quorum present, declare a Board position vacant if a Director fails to attend three (3) meetings during the fiscal year.

Section 10. Committees

The President of the Board of Directors shall appoint committees. Membership on standing committees is limited to members of the Board of Directors; excluding the Nominating Committee which is made up of members only. Membership on committees shall be not less than three. Members of the Board of Directors are limited to membership on two standing committees, excluding the Executive Committee. Terms on committees are for one year, or until such time as new appointments are made.

Executive Committee:

The elected officers of the Board of Directors plus one other Board member shall constitute the Executive Committee. A majority of the Executive Committee may authorize payment of bills in the event a meeting cannot be held. The duties of the committee shall be:

- a. To conduct business between regularly scheduled meetings of the Board of Directors
- b. To provide for the annual evaluation of the Executive Director
- c. To review the By-Laws of the System annually

Standing Committees (other than Nominating Committee for the Board of Directors):

- a. Budget and Finance
 - i. The Treasurer shall be the chair of this committee
 - ii. The committee assumes that the Board of Directors as a whole has the responsibility to review and approve the overall budget as submitted by the

Executive Director

- iii. To establish the budget tracking and reporting standards provided by the Chief Fiscal Officer as are appropriate to the needs of the committee
- iv. To monitor System expenditures and income and report significant variances to the Board of Directors*
- v. To review expenses over \$2,500.00 not included in the currently approved budget
- vi. To review quarterly projections provided by the Chief Fiscal Officer
- vii. To review and provide guidance to the Board of Directors on policies or recommendations having potential financial implications
- viii. To review annual audit findings
- ix. To expect the Chief Fiscal Officer to brief the committee on up-coming known issues that will skew the financials in some significant manner
- x. To establish criteria for insurance (board, property, fleet) carriers, review and approve specifications for bids
- xi. To update the salary schedule appropriately based upon information from the Executive Director.

*The committee would not generally expect to be involved in financial matters that are within the parameters of an established budget, other than as a monitor function. Certainly, establishment of policies that impact finances, anything that would suggest the need to expend contingency funds or move funds, is within the realm of Committee purview. It would be our desire to review planned changes before taking them to the Board when changes from the budget are proposed (even if the overall budget for the line will remain unaffected). For example, when creating a new position not initially funded or deciding to add/eliminate a capital project, the Committee would expect to review and comment on such a change to the Board.

b. Facilities and Operations

- i. To review the property needs of the System
- ii. To review that system property fits into the System strategic plan
- iii. To review property leases and purchases
- iv. To review delivery policies

c. Personnel

- i. To review position descriptions and staffing requirements of the System
- ii. To review and update the personnel code of the System

d. Policy and Membership

- i. To review and update the service policies of the System
- ii. To review and evaluate progress in fulfilling the System strategic plan
- iii. To review continued membership eligibility of libraries that are members of the System

e. Nominating Committee for Officers of the Board

- i. To develop a slate of officer candidates from the Directors serving on the board at the beginning of the fiscal year
- ii. Each candidate shall be contacted about their willingness to serve as an officer

- iii. The Slate of Officers shall be voted on at the July meeting of the Board

Ad Hoc Committees

The President may appoint Ad Hoc committees as needed. Members of Ad Hoc committees may also include other personnel associated with the System, but who are not members of the Board of Directors. Ad Hoc committees must include members of the Board, and no library associated with the System can have more than one member on an Ad Hoc committee.

Section 11. Meetings

- a. The Board shall hold a minimum of nine (9) regular monthly meetings per year to conduct the business of the System. The dates, times and locations of the meetings shall be determined at the July meeting. Board agendas shall be posted in accordance with the Illinois Open Meetings Act.
- b. All Board and Committee meetings will be conducted in full compliance with the Open Meetings Act (5 ILCS 120/1 et seq.). All Board, Committee, and sub-committee meetings will be conducted in full compliance with the Open Meetings Act (5 ILCS 120/1 et seq.) and the IHLS Policy on Meetings via Electronics Means.
- c. The President may call special meetings on his/her initiative; the President must call a special board meeting when requested by at least five (5) board members. Notice shall be given 48 hours prior to the date of the meeting and shall state the business to be transacted. The meeting will be limited to the business stated.
- d. A quorum shall be a simple majority of the members of the System Board. With fifteen (15) members, the quorum is eight (8).
- e. Should both the President and Vice-President be absent from any meeting, the Directors present shall choose, from among their number, a temporary, presiding Officer who shall be designated President Pro Tem for that meeting.
- f. A roll call vote shall be taken for the expenditure of funds, execution of a contract, and upon the request of any board member.
- g. Standard Order of Business will comply with the Open Meetings Act.

Article VII Executive Director

The Executive Director shall be the System's Chief Executive Officer and be responsible for the administration of the System. The qualifications of the Executive Director shall include a Master's degree from an American Library Association accredited library education program and who has a minimum of five years postgraduate employment that includes a minimum of two that were in library administrative experience. The Executive Director shall have the authority to hire such other employees as may be necessary, to fix their compensation, and remove such appointees, subject to the approval of the Board. The acts of the Executive Director are subject to the approval of the Board. The Executive Director reports to and is responsible directly to the Board. Performance is evaluated by the Board of

Directors based upon the agency's ability to serve the needs of its membership and achieve the goals of the Board.

Article VIII Advisory Councils

The Executive Director shall form Advisory Councils to serve as an effective liaison between the librarians of the System and the Executive Director. The purpose of the committee is to:

1. Promote System development
2. Provide input and review of changes to System policy and membership criteria
3. Initiate suggestions to the Executive Director and the Board

Members of the Advisory Councils shall serve three-year terms.

Article IX LLSAP Governance Group

The LLSAP membership shall form a governance group that will act as an effective liaison between the LLSAP membership and the IHLS Board of Directors. The purpose of this group is to:

1. Promote membership excellence and involvement.
2. Provide input and review of changes to LLSAP governance documents.
3. Initiate suggestions regarding the LLSAP to the Executive Director and the IHLS Board of Directors.

Members of the LLSAP governance group shall serve according to the guidelines set by the LLSAP governance and its membership.

Article X Parliamentary Authority

All meetings shall be conducted in accordance with Robert's Rules of Order, latest edition, and shall be open to the public in compliance with the "Illinois Open Meetings Act," as amended (ILCS 120/1 et.seq.)

Article XI Amendments and Revisions

Section 1. These By-Laws may be amended by a vote of two-thirds (2/3) of all Board members at a regular Meeting of the Board of Directors of the System provided a written draft of the proposed amendments has been given to each Director at the preceding regular meeting with notice to all member libraries.

Section 2. By-Laws changes can originate from the System Board or from the membership of the System submitted to the System Board.

Section 3. By-Laws changes must be submitted for approval by the State Librarian through the Illinois State Library before they shall become effective.

Approved by Planning Panel on February 26, 2011
Approved by the Illinois Heartland Library System Transition Board on March 29, 2011
Approved by the Illinois Heartland Library System Board of Directors on July 5, 2011
Amended by the Illinois Heartland Library System Board of Directors on August 23, 2011
Amended by the Illinois Heartland Library System Board of Directors on August 28, 2012
Amended by the Illinois Heartland Library System Board of Directors on February 26, 2013
Amended by the Illinois Heartland Library System Board of Directors on July 23, 2013
Amended by the Illinois Heartland Library System Board of Directors on October 22, 2013
Amended by the Illinois Heartland Library System Board of Directors on May 27, 2014
Amended by the Illinois Heartland Library System Board of Directors on October 28, 2014
Amended by the Illinois Heartland Library System Board of Directors on November 25, 2014
Amended by the Illinois Heartland Library System Board of Directors on March 5, 2015
Amended by the Illinois Heartland Library System Board of Directors on July 28, 2015
Amended by the Illinois Heartland Library System Board of Directors on April 26, 2016
Amended by the Illinois Heartland Library System Board of Directors on February 26, 2019



Attachment 8 Delivery Annual Report

**23 Ill. Adm. Code 3030.270 Part B Multitype Library System Annual System Report
FY2023 Delivery Annual Report**

8. Delivery Annual Report

In addition to including delivery goals, objectives, and activities in the Annual Report Narrative (1.1), complete Tables 1, 2 and 3 with information specific to the delivery service only.

Tables 1 and 3 include both system and ILDS delivery.

Table 1: Delivery Operating Expenses

Delivery Expenditures	FY2023 System Delivery	FY2023 ILDS
Delivery Personnel		
Library Professionals		
Other Professionals		
Support Services		
Social Security Texas (FICA)		
Unemployment Insurance		
Workers' Compensation		
Retirement Benefits		
Health, Dental, and Life Insurance		
Temporary Help		
Recruiting		
TOTAL		

Delivery Buildings & Grounds		
Rent		
Utilities		
Property Insurance		
Repairs & Maintenance		
Janitorial Services & Supplies		
Other		
TOTAL		

Delivery Vehicle Expense		
Fuel		
Repairs & Maintenance		
Vehicle Insurance		
Vehicle Leasing & Rent		
TOTAL		

Travel & CE for Delivery Staff		
In-State Travel		
Out-of-State Travel		
Registration & Other Fees		
TOTAL		

23 Ill. Adm. Code 3030.270 Part B Multitype Library System Annual System Report

Delivery Expenditures	Expense Item	FY2023 System Delivery	FY2023 ILDS
Delivery Liability Insurance			
TOTAL			

Supplies, Postage & Printing			
Delivery Supplies			
General Office Supplies & Equipment			
Internal Printing/Photocopying			
Postage			
Library Supplies			
Other			
TOTAL			

Delivery Telephone & Telecomm			
Local/Long Distance – Voice			
Telecomm – Data & Fax			
TOTAL			

Delivery Equipment Rental, Repair & Maintenance			
Equipment Rental			
Equipment Repair & Maintenance			
Maintenance Agreement			
Computer Hardware Insurance			
TOTAL			

Delivery Professional Services			
Legal			
Accounting			
Consulting			
Contractual Staff			
TOTAL			

Delivery Contractual Services			
Contractual Agreements with commercial carriers			
TOTAL			

TOTAL DELIVERY OPERATING EXPENSES			
--	--	--	--

23 Ill. Adm. Code 3030.270 Part B Multitype Library System Annual System Report

Table 2: Regional Delivery Statistics

Provide a summary of regional delivery services. Chart regional statistics by routes or hubs including the number of items transported, average number of delivery miles traveled per week, and average number of direct delivery stops per week. Do not include ILDS items that were transported. Report statistical data using methods agreed upon through the work of the statewide Delivery Standardization project.

Delivery Route or Hub	Items Transported	Average Miles/Week	Average Stops/Week
TOTAL			

Table 3: Delivery Supplemental Statistics as of June 30, 2023

All Agencies	Number receiving system-provided delivery	Number receiving outsourced delivery	Total
Public libraries (agencies)			
Academic libraries (agencies)			
School libraries (agencies)			
Special libraries (agencies)			
TOTAL			

Community Delivery Partnership (CDP) Agencies	Number participating in CDPs as host	Number participating in CDPs as participant
Public libraries (agencies)		
Academic libraries (agencies)		
School libraries (agencies)		
Special libraries (agencies)		
TOTAL		

23 Ill. Adm. Code 3030.270 Part B Multitype Library System Annual System Report

Agency Delivery by Frequency	Number in functional frequency categories. Include all types of delivery
On Demand	
2 day per week	
3 day per week	
4 day per week	
5 day per week	
Other	
TOTAL	



Illinois Heartland Library System

IMAGINING TOMORROW - DELIVERING POSSIBILITIES TODAY

Illinois Heartland Library System

Carbondale • Champaign • Edwardsville

6725 Goshen Road, Edwardsville, IL 62025

ph: 618.656.3216 | f: 618.656.9401

www.illinoisheartland.org