

ILLINOIS HEARTLAND LIBRARY SYSTEM  
AUDIT REPORT PRESENTATION  
JUNE 30, 2023

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1-3 Independent Auditor's Report - our opinion is unmodified (frequently referred to as a clean opinion), which indicates the financial statements are presented fairly in all material respects.

4-5 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

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17-18 Government - Wide Financial Statements (GASB 34) -

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Net Position, Beginning of Year	\$ 13,419,590	\$ 11,878,952	\$ 10,607,869
Change in Net Position	(227,298)	1,540,638	1,271,083
Net Position, End of Year	<u>\$ 13,192,292</u>	<u>\$ 13,419,590</u>	<u>\$ 11,878,952</u>

19 Balance Sheet - Governmental Funds

<u>Cash Balances</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>Change (2023 vs 2022)</u>
General Fund	\$ 5,486,154	\$ 4,975,226	\$ 5,105,865	\$ 510,928
CMC Grant Fund	47,065	42,683	19,754	4,382
Capital Projects Fund	945,407	1,416,930	1,662,667	(471,523)
Non-Major Funds	2,847	3,776	5,328	(929)

Note: The Area and Per Capita operating grant had been paid in full as of 6/30/23. There is no receivable related to this grant in the current year.

21 Statement of Revenues, Expenditures and Changes in Fund Balance

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>Change (2023 vs 2022)</u>
<u>General Fund</u>				
Receipts	\$ 4,441,435	\$ 3,731,410	\$ 3,690,676	\$ 710,025
Disbursements	(3,717,732)	(3,563,492)	(3,240,354)	(154,240)
Gain on Disposal of F/A		4,811		(4,811)
Transfer Out	(300,000)	(292,935)	(300,000)	(7,065)
Net Change In				
Fund Balance	<u>\$ 423,703</u>	<u>\$ (120,206)</u>	<u>\$ 150,322</u>	<u>\$ 543,909</u>

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					<u>Change (2023</u>
		<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>vs 2022)</u>
21	<u>CMC Grant Fund</u>				
	Receipts	\$ 640,480	\$ 405,932	\$ 387,798	\$ 234,548
	Disbursements	(640,480)	(412,819)	(388,108)	(227,661)
	Transfer In		22,304		(22,304)
	Net Change In				
	Fund Balance	\$ 0	\$ 15,417	\$ (310)	\$ 6,887
18	<u>Capital Projects Fund</u>				
	Receipts	\$ 63,427	\$ 4,432	\$ 30,842	\$ 58,995
	Disbursements	(600,102)	(250,169)	(170,779)	(349,933)
	Gain on Disposal of F/A	65,151	7,065		58,086
	Transfer In(Out)		(7,065)	585,427	7,065
	Net Change In				
	Fund Balance	\$ (471,524)	\$ (245,737)	\$ 445,490	\$ (225,787)
18	<u>Non-Major Funds</u>				
	Receipts	\$ 317,162	\$ 149,513	\$ 158,645	\$ 167,649
	Disbursements	(317,162)	(153,122)	(155,034)	(164,040)
	Net Change In				
	Fund Balance	\$ 0	\$ (3,609)	\$ 3,611	\$ 3,609
	<u>Changes in Fund Balances</u>				
21	<u>Major Funds</u>				
	Fund Balances:				
	General Fund	\$ 5,462,966	\$ 5,039,263	\$ 5,159,466	\$ 423,703
	CMC Grant	26,202	26,202	10,786	0
	Capital Projects Fund	945,407	1,416,931	1,662,667	(471,524)
	Total	\$ 6,434,575	\$ 6,482,396	\$ 6,832,919	\$ (47,821)
21	<u>Other Governmental Funds</u>				
	Fund Balances:				
	OCLC Grant	\$ (643)	\$ (643)	\$ 2,968	\$ 0
	Library Trustee				
	Trainng Grant	0			
	Total	\$ (643)	\$ (643)	\$ 2,968	\$ 0



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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>Change (2023 vs 2022)</u>
<u>SHARE</u>				
Operating Revenues	\$ 1,599,638	\$ 2,262,393	\$ 2,102,874	\$ (662,755)
Operating Expenses	(2,046,500)	(1,912,563)	(1,782,340)	(133,937)
Other	80,349	2,847	1,022	77,502
Transfers In	300,000	277,696	300,000	
Net Income (Loss)	<u>\$ (66,513)</u>	<u>\$ 630,373</u>	<u>\$ 621,556</u>	<u>\$ (719,190)</u>

47-49      Budget vs Actual - Major Funds

	<u>Budgeted Revenues</u>	<u>Actual Revenues</u>	<u>Favorable (Unfavorable)</u>
General Fund	\$ 4,263,655	\$ 4,441,435	\$ 177,780
CMC Grant Fund	662,783	640,480	\$ (22,303)
Capital Projects Fund	26,274	63,427	37,153
	<u>Budgeted Expenses</u>	<u>Actual Expenses</u>	<u>Favorable (Unfavorable)</u>
General Fund	\$ 4,376,683	\$ 3,717,733	\$ 658,950
CMC Grant Fund	662,783	640,480	22,303
Capital Projects Fund	899,500	600,102	299,398

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ILLINOIS HEARTLAND LIBRARY SYSTEM

REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2023

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# ILLINOIS HEARTLAND LIBRARY SYSTEM

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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  
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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	\$ 5.3	\$ 0.7	\$ 2.2	\$ 0.3	\$ 7.5	\$ 1.0
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	\$ 3.2	\$ 4.8	\$ 1.3	\$ 2.0	\$ 4.5	\$ 6.8
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



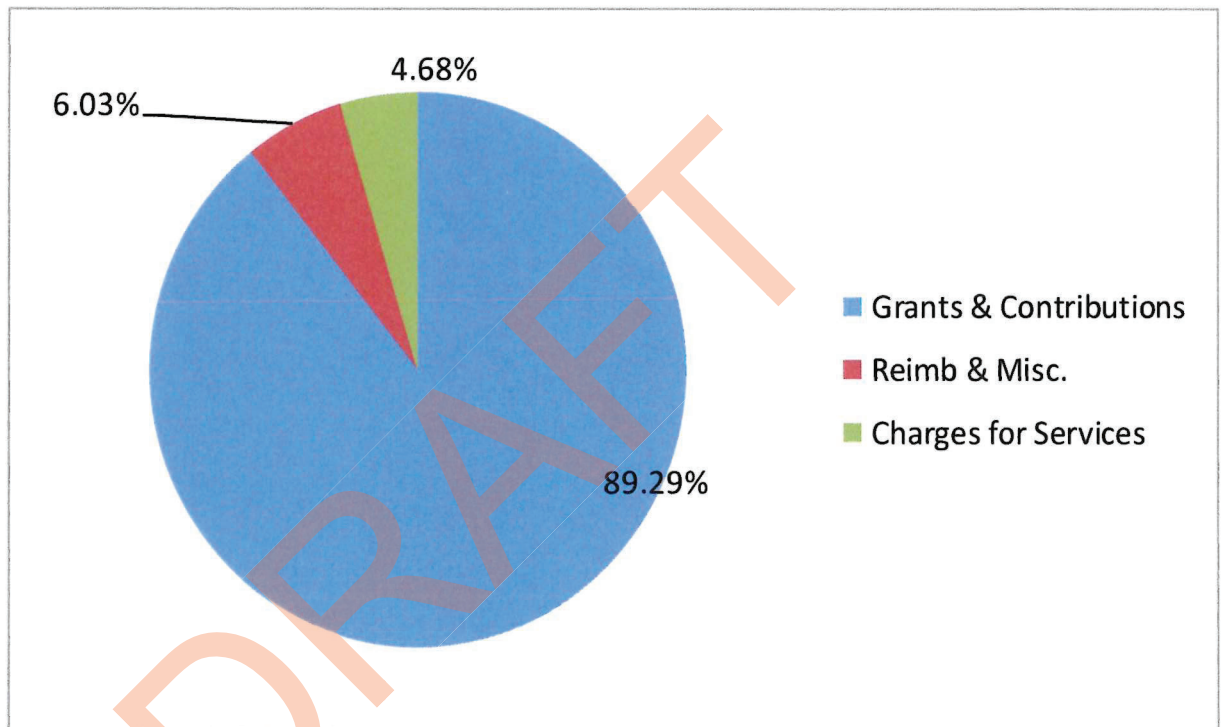
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Illinois Municipal Retirement Fund. The System recognized current year pension expense of \$701,842 compared to pension income of \$1,748,357 in the prior year.

**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  
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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  
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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.

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## 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	\$ 6,663,334	\$ 2,658,020	\$ 9,321,354
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	\$ 1,874,174	\$ 30,572	\$ 1,904,746
Total Assets	\$ 8,537,508	\$ 2,688,592	\$ 11,226,100
Deferred Outflows of Resources:			
Deferred Outflows from Pension Contributions	\$ 5,301,263	\$ 2,228,566	\$ 7,529,829
Total Deferred Outflows of Resources	\$ 5,301,263	\$ 2,228,566	\$ 7,529,829
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 13,838,771	\$ 4,917,158	\$ 18,755,929
<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	\$ 229,403	\$ 96,137	\$ 325,540
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	\$ 472,538	\$ 243,430	\$ 715,968
Total Liabilities	\$ 701,941	\$ 339,567	\$ 1,041,508
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	\$ 3,194,787	\$ 1,327,342	\$ 4,522,129
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	\$ 9,942,043	\$ 3,250,249	\$ 13,192,292
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 13,838,771	\$ 4,917,158	\$ 18,755,929

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	Expenses	Program Revenues			Net (Expense)/Revenue And Changes in Net Position - Primary Government		
		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	<u>365,436</u>
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	<u>(172,162)</u>
Total Net Position of Governmental Activities	<u><u>\$ 9,942,043</u></u>

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



ILLINOIS HEARTLAND LIBRARY SYSTEM  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Major Fund CMC Grant Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
State Grants:					
Area and Per Capita - State Allotment	\$ 3,260,130				\$ 3,260,130
Area and Per Capita - Federal Pass Through Illinois State Library	659,722	\$ 640,480		\$ 317,162	659,722
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>
<b>EXPENDITURES:</b>					
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	<u>5,039,263</u>	<u>26,202</u>	<u>1,416,931</u>	<u>(643)</u>	<u>6,481,753</u>
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
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</b>	
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	<u>(2,991,171)</u>
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>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION:</b>	
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

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

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

ILLINOIS HEARTLAND LIBRARY SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 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	<u>\$ 411,667</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 411,667</u>
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	<u>1,069,221</u>	<u>21,878</u>		<u>1,091,099</u>
Subtotal	<u>\$ 7,053,677</u>	<u>\$ 592,773</u>	<u>\$ 131,227</u>	<u>\$ 7,515,222</u>
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	<u>1,065,586</u>	<u>1,579</u>		<u>1,067,165</u>
Subtotal	<u>\$ 6,047,565</u>	<u>\$ 204,360</u>	<u>\$ 123,644</u>	<u>\$ 6,128,281</u>
Net Other Capital Assets	<u>\$ 1,006,112</u>	<u>\$ 388,413</u>	<u>\$ 7,583</u>	<u>\$ 1,386,941</u>
Net Capital Assets	<u>\$ 1,417,779</u>	<u>\$ 388,413</u>	<u>\$ 7,583</u>	<u>\$ 1,798,608</u>

Current year depreciation expense was charged to the following function:

General Library Services	<u>\$204,360</u>
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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](http://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  
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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

	Budget			(Actual - Final Budget)
	Original	Final	Actual	
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 (Actual - 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>	<u>\$ (471,524)</u>	<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,

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Total Pension Liability</b>										
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)	
<b>Net Change in Total Pension Liability</b>	<b>739,942</b>	<b>100,765</b>	<b>(98,959)</b>	<b>545,112</b>	<b>1,308,040</b>	<b>(99,597)</b>	<b>296,557</b>	<b>1,074,875</b>	<b>1,731,508</b>	
<b>Total Pension Liability - Beginning</b>	<b>33,814,470</b>	<b>33,713,705</b>	<b>33,812,664</b>	<b>33,267,552</b>	<b>31,959,512</b>	<b>32,059,109</b>	<b>31,762,552</b>	<b>30,687,677</b>	<b>28,956,169</b>	
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 34,554,412</b>	<b>\$ 33,814,470</b>	<b>\$ 33,713,705</b>	<b>\$ 33,812,664</b>	<b>\$ 33,267,552</b>	<b>\$ 31,959,512</b>	<b>\$ 32,059,109</b>	<b>\$ 31,762,552</b>	<b>\$ 30,687,677</b>	
<b>Plan Fiduciary Net Position</b>										
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	
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(8,750,679)</b>	<b>4,063,465</b>	<b>2,933,503</b>	<b>4,387,333</b>	<b>(3,468,296)</b>	<b>3,434,434</b>	<b>934,974</b>	<b>(669,796)</b>	<b>792,609</b>	
<b>Plan Fiduciary Net Position - Beginning</b>	<b>42,919,469</b>	<b>38,856,004</b>	<b>35,922,501</b>	<b>31,535,168</b>	<b>35,003,464</b>	<b>31,569,030</b>	<b>30,634,056</b>	<b>31,303,852</b>	<b>30,511,243</b>	
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 34,168,790</b>	<b>\$ 42,919,469</b>	<b>\$ 38,856,004</b>	<b>\$ 35,922,501</b>	<b>\$ 31,535,168</b>	<b>\$ 35,003,464</b>	<b>\$ 31,569,030</b>	<b>\$ 30,634,056</b>	<b>\$ 31,303,852</b>	
<b>Net Pension Liability/(Asset) - Ending (a)-(b)</b>	<b>385,622</b>	<b>(9,104,999)</b>	<b>(5,142,299)</b>	<b>(2,109,837)</b>	<b>1,732,384</b>	<b>(3,043,952)</b>	<b>490,079</b>	<b>1,128,496</b>	<b>(616,175)</b>	
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

	<u>OCLC Grant</u>	<u>Library Trustee Training Grant</u>	<u>Total Non-Major Special Revenue Fund</u>
<b>ASSETS</b>			
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>
<b>LIABILITIES AND FUND BALANCES</b>			
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			<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

	Budget		Actual
	Original	Final	
REVENUES:			
State Grants:			
Illinois State Library	\$ 662,783	\$ 662,783	\$ 640,480
Total Revenues	<u>\$ 662,783</u>	<u>\$ 662,783</u>	<u>\$ 640,480</u>
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	<u>\$ 662,783</u>	<u>\$ 662,783</u>	<u>\$ 640,480</u>
NET CHANGE IN FUND BALANCE	<u>\$ 0</u>	<u>\$ 0</u>	\$ 0
FUND BALANCE - BEGINNING OF YEAR			<u>26,202</u>
FUND BALANCE - END OF YEAR			<u>\$ 26,202</u>



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

<b>Federal Grantor Agency/Program Pass-Through Grantor Title/Grant Name</b>	<b>Federal AL Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>National Endowment for the Humanities</b>			
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	156,844
<b>Total Expenditures of Federal Awards</b>			<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.

DRAFT



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.

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

Sincerely yours,

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Leslie Bednar, Executive Director

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Rhonda Johnisee, Finance Director

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