ILLINOIS HEARTLAND LIBRARY SYSTEM
AUDIT REPORT PRESENTATION
JUNE 30, 2025

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	2025	2024	2023
Net Position, Beginning of Year	$ 14,211,892	$ 13,192,293	$ 13,419,590
Change in Net Position	(941,212)	1,019,599	(227,297)
Net Position, End of Year	$ 13,270,680	$ 14,211,892	$ 13,192,293

Balance Sheet - Governmental Funds

	Cash Balances	2025	2024	2023	Change (2025 vs 2024)
19	General Fund	$ 4,241,291	$ 5,031,884	$ 5,486,154	$ (790,593)
	CMC Grant Fund	54,766	71,121	47,065	(16,355)
	Capital Projects Fund	785,077	896,511	945,407	(111,434)
56	LTT Grant Fund	4	4		-
	OCLC Grant Fund	4,951	734	2,847	4,217

Statement of Revenues, Expenditures and Changes in Fund Balance

		2025	2024	2023	Change (2025 vs 2024)
21	General Fund				
	Receipts	$ 4,670,116	$ 4,600,099	$ 4,441,436	$ 70,017
	Disbursements	(4,569,483)	(4,077,726)	(3,717,733)	(491,757)
	Proceeds from Sale of Asset		20,225		(20,225)
	Transfer In(Out)	(1,073,514)	(793,928)	(300,000)	(279,586)
	Net Change In Fund Balance	$ (972,881)	$ (251,330)	$ 423,703	$ (721,551)

Audit Report Page Reference		2025	2024	2023	Change (2025 vs 2024)
21	Capital Projects Fund				
	Receipts	$ 37,969	$ 64,975	$ 63,427	$ (27,006)
	Disbursements	(1,024,424)	(595,569)	(600,102)	(428,855)
	Proceeds from Sale of Asset	6,544	37,770	65,151	(31,226)
	Transfer In(Out)	723,514	443,928		279,586
	Net Change In Fund Balance	$ (256,397)	$ (48,896)	$ (471,524)	$ (207,501)
21	CMC Grant Fund				
	Receipts	$ 665,076	$ 665,700	$ 640,480	$ (624)
	Disbursements	(665,076)	(665,700)	(640,480)	624
	Net Change In Fund Balance	$ 0	$ 0	$ 0	$ 0
57	LTT Grant Fund				
	Receipts	$ 166,321	$ 269,900	$ 156,844	$ (103,579)
	Disbursements	(166,321)	(269,900)	(156,844)	103,579
	Net Change In Fund Balance	$ 0	$ 0	$ 0	$ 0
57	OCLC Grant Fund				
	Receipts	$ 175,573	$ 168,532	$ 160,318	$ 7,041
	Disbursements	(175,573)	(168,532)	(160,318)	(7,041)
	Net Change In Fund Balance	$ 0	$ 0	$ 0	$ 0

Changes in Fund Balances

		2025	2024	2023	Change (2025 vs 2024)
	Governmental Funds				
	Fund Balances:				
21	General Fund	$ 4,238,754	$ 5,211,635	$ 5,462,966	$ (972,881)
21	CMC Grant	26,202	26,202	26,202	
21	Capital Projects Fund	640,114	896,511	945,407	(256,397)
57	Library Trustee	0	0	0	
57	OCLC Grant	(643)	(643)	(643)	
	Total	$ 4,904,427	$ 6,133,705	$ 6,433,932	$ (1,229,278)

Audit Report Page Reference					
24	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund				
		2025	2024	2023	Change (2025 vs 2024)
	SHARE				
	Operating Revenues	$ 1,897,968	$ 1,664,938	$ 1,599,638	$ 233,030
	Operating Expenses	(2,287,108)	(1,692,583)	(2,046,500)	(594,525)
	Non-Operating Revenue(Expense)	106,812	102,474	80,349	4,338
	Transfers In(Out)	350,000	350,000	300,000	$ -
	Net Income (Loss)	$ 67,672	$ 424,829	$ (66,513)	$ (357,157)

Budget vs Actual - Governmental Funds

		Budgeted Revenues	Actual Revenues	Favorable (Unfavorable)
50	General Fund	$ 4,509,106	$ 4,670,116	$ 161,010
51	CMC Grant Fund	709,016	665,076	(43,940)
62	Capital Projects Fund	17,846	37,969	20,123
60	OCLC Grant Fund	175,573	175,573	
61	LTT Grant Fund	166,321	166,321	

		Budgeted Expenses	Actual Expenses	Favorable (Unfavorable)
50	General Fund	$ 5,142,466	$ 4,569,483	$ 572,983
51	CMC Grant Fund	709,016	665,076	43,940
62	Capital Projects Fund	1,122,500	1,024,424	98,076
60	OCLC Grant Fund	175,573	175,573	
61	LTT Grant Fund	166,321	166,321	

ILLINOIS HEARTLAND LIBRARY SYSTEM

REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2025

ILLINOIS HEARTLAND LIBRARY SYSTEM

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Illinois Heartland Library System

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Illinois Heartland Library System (the System) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the System, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The accompanying individual nonmajor fund financial statements and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated September 5, 2024, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Alton, Illinois
September 5, 2024

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

To the Board of Directors of
Illinois Heartland Library System

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Illinois Heartland Library System (the "System"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the System's basic financial statements and have issued our report thereon dated September 5, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

Illinois Heartland Library System's Response to Findings

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

Purpose of this Report

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

Alton, Illinois
September 5, 2024

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

To the Board of Directors of
Illinois Heartland Library System

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Illinois Heartland Library System's (the "System") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the System's major federal programs for the year ended June 30, 2025. The System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Illinois Heartland Library System complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibility of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the System's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the System's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Alton, Illinois
September 5, 2024

Illinois Heartland Library System's Management Discussion and Analysis (MD&A) provides a narrative overview and analysis of the financial activities of the Illinois Heartland Library System for the fiscal year that ended June 30, 2025 (FY2025). The MD&A is designed to:

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

Background

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

Library systems have been a part of the library landscape in Illinois for over five decades. Following the enactment of legislation in 1965, there were 18 Illinois library systems. Prior to the July 2011 IHLS merger, nine multitype regional library systems were in Illinois with the remaining five merging in July 2011 as well, which established the Reaching Across Illinois Library System (RAILS). Library Systems are funded primarily by a grant (System Area and Per Capita) administered by the Illinois State Library (ISL), a division of the Illinois Secretary of State. In the founding legislation, the Library Systems Area & Per Capita Grant (23 ILAC 3035.100) formula is based on $43.2999 per square mile and $1.2457 per person. The demographic information from the 2020 Census is used to calculate the funding level and indicates a total population served of 2,160,649 and a 28,368 square mile service area. In FY2015, IHLS received requested funding of $3,364,429. However, in FY2016 and FY2017 due to the Illinois budget impasse, IHLS's funding level was reduced to 58% of FY2015 funding level - $1,989,671. In FY2018 through FY2022, IHLS received funding for $3,400,700. In FY2023, IHLS received an increase in funding due to changes to the cost per area and per capita. The FY2023 through FY2025 funding totaled $3,919,852.

Funds received from the System Area & Per Capita Grant (SAPG) are utilized by IHLS to provide services to member libraries and to pay for the basic administration operations of the organization. In FY2025, 521 libraries of various types participated as members of IHLS (28 academics, 227 publics, 240 school districts, and 26 special libraries). Membership totals fluctuate year to year for several reasons – libraries are suspended for failure to meet membership qualifications, agencies such as school districts and academic libraries consolidate locations as a cost-savings measure, and new library agencies apply for and are approved as members. The service area comprises 58 counties in central and southern Illinois. Services are focused on supporting resource sharing through library materials delivery, library automation services, and cataloging.

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

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

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

IHLS empowers all types of libraries through advocacy, shared resources, innovative technologies, and robust learning opportunities that engage and enhance our member communities..

The vision of IHLS is:

Imagining tomorrow, delivering today.

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

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

Government-Wide Financial Statements

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

The first two documents in the audit section titled, *Basic Financial Statements*, contain information that summarizes financial activity for all funds used to support IHLS's programs and projects. Page 17 contains the *Statement of Net Position* which presents information on all IHLS's assets and liabilities as of June 30, 2025. The *Statement of Activities*, found on page 18, reflects the change in Net Position and FY2025 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 FY2025 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 FY2025, 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 provide 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 *iLead Library Trustee Training* and *OCLC Grant* funds are represented in the audited financial statements under *"Other Governmental Funds."*

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, 2025, *SHARE* currently represents 339 agencies (utilizing 467 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 Funds (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 28-49 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. The required supplementary information for the budget to actual schedules and pension obligations can be found on pages 50-55 of this report.

The other supplementary schedules contain combining non-major special revenue fund balance sheets and income statements, individual fund statements, and the budget to actual comparison for non-major special revenue funds and the capital projects fund. Other supplementary information can be found on pages 56-62 of this report.

Government-Wide Financial Analysis

Over time, Net Position may serve as a useful indicator of an entity's financial position. IHLS's Assets exceeded Liabilities by $12,490,138 at the close of FY2025.

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

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

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and Other Assets	$ 5.2	$ 6.3	$ 2.8	$ 2.4	$ 8.0	$ 8.7
Noncurrent Assets	4.7	3.1	1.0	0.9	5.7	4.0
Total Assets	$ 9.9	$ 9.4	$ 3.8	$ 3.3	$ 13.7	$ 12.7
Deferred Outflows of Resources	$ 2.6	$ 4.0	$ 1.1	$ 1.7	$ 3.7	$ 5.7
Current and Other Liabilities	$ 0.4	$ 0.2	$ 0.1	$ 0.1	$ 0.5	$ 0.3
Long-Term Liabilities	0.5	0.2	0.2	0.2	0.7	0.4
Total Liabilities	$ 0.9	$ 0.4	$ 0.3	$ 0.3	$ 1.2	$ 0.7
Deferred Inflows of Resources	$ 2.1	$ 2.5	$ 0.9	$ 1.0	$ 3.0	$ 3.5
Net Position						
Net Investment in Capital Assets	$ 2.8	$ 2.1	$ 0.3	$ 0.4	$ 3.1	$ 2.5
Restricted	0.1	0.1	0	0	0.1	0.1
Unrestricted	6.6	8.4	3.4	3.2	10.0	11.6
Total Net Position	$ 9.5	$ 10.6	$ 3.7	$ 3.6	$ 13.2	$ 14.2

Long-Term Liabilities represents the value of earned, but unused compensated absences accumulated by employees, future payments on leased assets and SBITA contracts, as well as Net Pension Liability (if any) related to participation in the Illinois Municipal Retirement (IMRF) Fund, as of June 30, 2025. 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, 2025, and 2024:

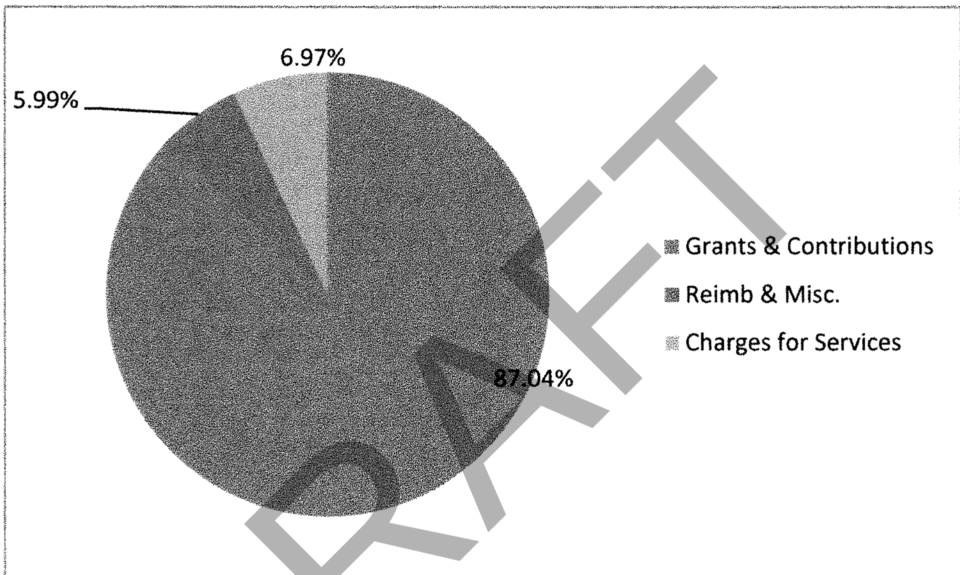
	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program Revenues						
Charges for Services	$ 0.4	$ 0.3	$ 1.9	$ 1.7	$ 2.3	$ 2.0
Operating Grants and Contr.	4.9	5.0	0	0	4.9	5.0
General Revenues	0.3	0.4	0.1	0.1	0.4	0.5
Internal Activity - Transfers	(0.3)	(0.3)	0.3	0.3	0	0
Total Revenues	$ 5.3	$ 5.4	$ 2.3	$ 2.1	$ 7.6	$ 7.5
Expenses:						
General Library Services	$ 6.3	$ 4.8	$ 0	$ 0	$ 6.3	$ 4.8
Computer Development	0	0	2.3	1.7	2.3	1.7
Total Expenses	$ 6.3	$ 4.8	$ 2.3	$ 1.7	$ 8.6	$ 6.5
Change in Net Position	$ (1.0)	$ 0.6	$ 0	$ 0.4	$ (1.0)	$ 1.0
Beginning Net Position	10.5	9.9	3.7	3.3	14.2	13.2
Ending Net Position	$ 9.5	$ 10.5	$ 3.7	$ 3.7	$ 13.2	$ 14.2

This Statement reflects a change in Net Position of ($941,212). This is a 6.6% decrease from the prior year. This decrease in the current year is largely attributable to the Actuarial Valuation performed in the System's participation in the Illinois Municipal Retirement Fund. The System recognized current year pension expense of $611,616 compared to pension income of $815,044 in the prior year.

Revenues by Source

Government Activities

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



Business Type Activities

Based on the audited financial statements, IHLS's business-type activity is the LLSAP, SHARE. As reported on the *Statement of Revenues, Expenses, and Changes in Fund Net Position* (page 24), *Charges for Services* continued to represent most of the *Operating Revenues* (approximately 94%).

Financial Analysis of the Government's Funds

As noted earlier, IHLS uses fund accounting to demonstrate and ensure compliance with finance-related legal and grant requirements. As indicated on page 19, as of June 30, 2025, *IHLS's Governmental Funds* reported a combined ending fund balance of $4,904,427.

IHLS developed a budget based on the priority areas identified by the ISL and the *FY2025 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 FY2025 budget represents normal funding levels.

General Fund

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

	Original Budget	Final Budget	Actual
Revenues:			
Area and Per Capita Grants	$ 3,919,852	$ 3,919,852	$ 3,919,852
Fees for Services and Material	395,925	395,925	394,791
Reimbursements	8,726	8,726	11,173
Investment income	94,467	94,467	209,999
Miscellaneous	90,136	90,136	134,301
Total Revenues	$ 4,509,106	$ 4,509,106	$ 4,670,116
Expenditures:			
Personnel	$ 3,800,108	$ 3,837,108	$ 3,510,855
Other Operating Expenditures	1,368,358	1,305,358	1,058,628
Total Expenditures	$ 5,168,466	$ 5,142,466	$ 4,569,483
Excess of Revenue Over (Under) Expenditures	(659,360)	(633,360)	100,633
Other Financing Sources (Uses):			
Transfers In (Out)	$ (1,075,000)	$ (1,075,000)	$ (1,073,514)
Net Change in Fund Balance	$ (1,734,360)	$ (1,708,360)	$ (972,881)

IHLS welcomed a new team member in the General Fund, a Driver Sorter position based in Edwardsville, to provide flexible coverage and prevent route cancellations. The final phase of the minimum wage increase impacted compensation for Sorter staff, and the courier starting wage was increased to $17 per hour. Additionally, other staff received a 3% salary increase. These adjustments contributed positively to organizational morale and operational stability.

In FY2025, IHLS' in-person travel ensured staff would receive the necessary support for site visits, networking opportunities, and continuing education. Staff are better equipped to build expertise in different areas of librarianship, enhancing their training skills, building, and sustaining professional relationships, and remaining current with library marketplace trends.

IHLS continued to expend the remainder of a $4,000 grant from the Illinois Humanities Grant to initiate a Mobile Memory Lab. This allowed patrons and the sites visited to scan and record their historical items.

IHLS initiated the rollout of Automated Material Handling Systems (AMHS) across all locations. A barcoding project was launched in collaboration with member libraries to reposition barcodes on the exterior of circulating materials. IHLS covered these costs for equipment and labels, for libraries that elected us to do the work and also funded staff time to complete the project. To support the purchase of the machines, funds were transferred from the General Fund's existing fund balance to the Capital Projects Fund. Additionally, 1,350 new delivery tubs were purchased to replace damaged or missing units with an updated design.

Cataloging Maintenance Center (CMC)

In FY2025, 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 provides support to libraries within the IHLS service area as well as throughout Illinois. During the fiscal year, three temporary catalogers continued their assigned work on the Consortium of Academic and Research Libraries in Illinois (CARLI) data cleanup initiative. A staff departure, coupled with a delay in rehiring, resulted in a portion of grant funds remaining unspent and returned to ISL. Meanwhile, the metadata cataloger maintained ongoing support for the Mobile Memory Lab Grant project.

Sharing Heartland's Available Resources Equally (SHARE)

In FY2025, SHARE advanced the implementation of the Aspen discovery layer to enhance Polaris functionality. Contractual services were secured to assist libraries with this transition, with costs incorporated into the newly established SHARE member fee scale effective in FY2025. As a result, all SHARE members gained access to Cloud Library, the SHARE Mobile Library App, and all associated modules under their membership fee.

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

Additionally, SHARE introduced a messaging service to support patron notifications via Polaris, addressing limitations imposed by certain mobile carriers on text message delivery.

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 FY2025 included the cost of an LED lighting upgrade at the Champaign office and the purchase and installation of two AMHS machines at the Champaign and Edwardsville offices.

In FY2025, IHLS purchased five Ford Transit vans. IHLS surplused five vans after receipt of the new vans, four of which were leased through the Enterprise Fleet Management agreement. This generated an additional $44,151 of revenue for the General and Capital Projects funds.

Capital Assets

The table below shows the net book value (in thousands) of IHLS Capital Assets at June 30, 2025, and 2024:

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	$ 411.6	$ 411.6	$ 0	$ 0	$ 411.6	$ 411.6
Assets in Progress	71.9	0	0	0	0	0
Buildings & Improvements	1,057.2	1,049.9	0	0	1,057.2	1,049.9
Equipment & Other	575.1	0	0	0	575.1	0
Furniture & Fixtures	0	0	0	0	0	0
Computers	15.1	19.6	251.0	340.0	266.1	359.6
Vehicles	744.1	669.7	0	0	744.1	669.7
Leased Office Space	309.4	0	0	0	309.4	0
Subscription Software	0	0	158.6	237.9	158.6	0
Total Capital Assets	3,184.4	$ 2,150.8	$ 409.6	$ 577.9	$ 3,522.1	$ 2,490.8

Discussions of Currently Known Facts, Decisions, or Conditions

IHLS's FY2025 budget was developed using the modified zero-based budget process. Administrative staff from the system participated in developing the budget. Careful consideration was given to the core service priorities as expressed by the Illinois Secretary of State and the Illinois State Library.

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

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

A prudent business practices framework will continue to guide policies and financial decisions, providing a more sustainable model. As IHLS moves into FY2026, 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). In alignment with these goals, IHLS developed a new strategic plan during FY2025. This plan will serve as a guiding framework for decision-making and service delivery in future years, ensuring IHLS remains responsive to member needs and positioned for long-term success.

Request for Information

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF NET POSITION
JUNE 30, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current Assets:			
Cash and Cash Equivalents	$ 5,086,089	$ 2,583,983	$ 7,670,072
Accounts Receivable	105,492	47,597	153,089
Prepaid Expenses	68,013	166,407	234,420
Due from Other Funds		1,853	1,853
Total Current Assets	$ 5,259,594	$ 2,799,840	$ 8,059,434
Noncurrent Assets:			
Capital Assets:			
Non-Depreciable	$ 483,499		$ 483,499
Depreciable, Net of Accumulated Depreciation	2,391,500	$ 251,041	2,642,541
Amortizable, Net of Accumulated Amortization	309,391	158,568	467,959
Total Net Capital Assets	$ 3,184,390	$ 409,609	$ 3,593,999
Net Pension Asset	1,480,401	564,565	2,044,966
Total Noncurrent Assets	$ 4,664,791	$ 974,174	$ 5,638,965
Total Assets	$ 9,924,385	$ 3,774,014	$ 13,698,399
Deferred Outflows of Resources:			
Deferred Outflows from Pension Contributions	$ 2,615,527	$ 1,077,535	$ 3,693,062
Total Deferred Outflows of Resources	$ 2,615,527	$ 1,077,535	$ 3,693,062
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 12,539,912	$ 4,851,549	$ 17,391,461
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
Current Liabilities:			
Accounts Payable	$ 184,008	$ 55,941	$ 239,949
Accrued Expenses	169,306	51,177	220,483
Due to Other Funds	1,853		1,853
Accrued Compensated Absences, Current Portion	53,993	16,857	70,850
Lease Liability, Current Portion	49,545		49,545
Total Current Liabilities	$ 458,705	$ 123,975	$ 582,680
Long-Term Liabilities:			
Accrued Compensated Absences, Net of Current Portion	$ 215,970	$ 67,428	$ 283,398
Lease Liability, Net of Current Portion	269,247		269,247
Subscription-Based IT Software Liability, Net of Current Portion		72,936	72,936
Total Long-Term Liabilities	$ 485,217	$ 140,364	$ 625,581
Total Liabilities	$ 943,922	$ 264,339	$ 1,208,261
Deferred Inflows of Resources:			
Deferred Inflows of Resources Related to Net Pension Asset	$ 2,068,061	$ 844,459	$ 2,912,520
Total Deferred Inflows of Resources	$ 2,068,061	$ 844,459	$ 2,912,520
Net Position:			
Net Investment in Capital, Right-of-use, and SBITA Assets	$ 2,865,598	$ 336,673	$ 3,202,271
Restricted			
Grant Expenditures	22,814		22,814
Unrestricted	6,639,517	3,406,078	10,045,595
Total Net Position	$ 9,527,929	$ 3,742,751	$ 13,270,680
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 12,539,912	$ 4,851,549	$ 17,391,461

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

		Program Revenues			Net (Expense)/Revenue And Changes in Net Position - Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Governmental Activities:							
General Library Services	$ 6,319,302	$ 394,791	$ 4,926,822		$ (997,689)		$ (997,689)
Business-Type Activities:							
Computer Development	2,299,058	1,897,968				$ (401,090)	(401,090)
	$ 8,618,360	$ 2,292,759	$ 4,926,822	$ 0	$ (997,689)	$ (401,090)	$ (1,398,779)
General Revenues:							
Reimbursements					$ 11,173		$ 11,173
Investment Income					247,968	$ 118,762	366,730
Miscellaneous					73,120		73,120
Gain (Loss) on Sale of Capital Assets					6,544		6,544
Internal Activity - Transfers					(350,000)	350,000	
Total General Revenues					$ (11,195)	$ 468,762	$ 457,567
Change in Net Position					$ (1,008,884)	$ 67,672	$ (941,212)
Net Position - Beginning of Year					10,536,813	3,675,079	14,211,892
Net Position - End of Year					$ 9,527,929	$ 3,742,751	$ 13,270,680

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

EXHIBIT "C"

ILLINOIS HEARTLAND LIBRARY SYSTEM
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

	Major Funds				
	General Fund	CMC Grant Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 4,241,291	$ 54,766	$ 785,077	$ 4,955	$ 5,086,089
Accounts Receivable	66,762			38,730	105,492
Prepaid Expenses	56,867	3,388		7,758	68,013
Due from Other Funds	43,721	120		28	43,869
Total Assets	$ 4,408,641	$ 58,274	$ 785,077	$ 51,471	$ 5,303,463
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts Payable	$ 32,578	$ 5,164	$ 144,963	$ 1,303	$ 184,008
Accrued Expenses	136,934	23,659		8,713	169,306
Due to Other Funds	375	3,249		42,098	45,722
Total Liabilities	$ 169,887	$ 32,072	$ 144,963	$ 52,114	$ 399,036
Fund Balances:					
Non-Spendable	$ 56,867	$ 3,388		$ 7,758	$ 68,013
Restricted		22,814			22,814
Assigned			$ 640,114		640,114
Unassigned	4,181,887			(8,401)	4,173,486
Total Fund Balances (Deficit)	$ 4,238,754	$ 26,202	$ 640,114	$ (643)	$ 4,904,427
Total Liabilities and Fund Balances	$ 4,408,641	$ 58,274	$ 785,077	$ 51,471	$ 5,303,463

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, 2025

Total Fund Balance, Governmental Funds		$ 4,904,427
Total net position reported for government activities in the statement of net position is different because:		
Capital and right-of-use assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Those assets consist of		
Land	$ 411,667	
Construction in Progress	71,832	
Equipment, net of $2,008,553 accumulated depreciation	575,018	
Buildings and Improvements, net of $2,239,956 accumulated depreciation	1,057,206	
Computers, net of $1,075,918 accumulated depreciation	15,181	
Automobiles, net of $705,655 accumulated depreciation	744,095	
Right-of-Use Assets, net of $46,409 accumulated amortization	309,391	
Total		3,184,390
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Those liabilities consist of		
Accrued Compensated Absences		(269,963)
Lease Liability		(318,792)
Net pension asset and related deferrals are not due and payable and/or receivable in the current period, therefore, are not reported in governmental funds.		2,027,867
Total Net Position of Governmental Activities		$ 9,527,929

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

EXHIBIT "E"

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Major Funds			*Formerly Major Fund*		
	General Fund	CMC Grant Fund	Capital Projects Fund	Library Trustee Training Grant Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:						
State Grants:						
Area and Per Capita - State Allotment	$ 3,260,130					$ 3,260,130
Area and Per Capita - Federal Pass Through	659,722					659,722
Illinois State Library		$ 665,076			$ 341,894	1,006,970
Fees for Services and Material	394,791					394,791
Reimbursements	11,173					11,173
Investment Income	209,999		$ 37,969			247,968
Other Revenue	134,301					134,301
Total Revenues	$ 4,670,116	$ 665,076	$ 37,969		$ 341,894	$ 5,715,055
EXPENDITURES:						
Current:						
General Library Services:						
Personnel Service	$ 3,510,855	$ 573,667			$ 202,250	$ 4,286,772
Contractual Services	344,189	84,509			134,530	563,228
Supplies and Materials	701,866	6,900			5,114	713,880
Member Library Reimbursement Expense	12,573					12,573
Capital Outlay			$ 1,024,424			1,024,424
Total Expenditures	$ 4,569,483	$ 665,076	$ 1,024,424		$ 341,894	$ 6,600,877
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ 100,633	$ 0	$ (986,455)		$ 0	$ (885,822)
OTHER FINANCING SOURCES (USES):						
Proceeds from Sale of Capital Assets			6,544			6,544
Transfers In (Out)	(1,073,514)		723,514			(350,000)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	$ (972,881)	$ 0	$ (256,397)		$ 0	$ (1,229,278)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR, as previously presented	5,211,635	26,202	896,511	0	(643)	6,133,705
Change within financial reporting entity (major to nonmajor fund)				0	0	0
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR, as adjusted	5,211,635	26,202	896,511	0	(643)	6,133,705
FUND BALANCE (DEFICIT) - END OF YEAR	$ 4,238,754	$ 26,202	$ 640,114	$ 0	$ (643)	$ 4,904,427

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, 2025

Net Change in Fund Balances - Total Governmental Funds	$ (1,229,278)
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.	724,134
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 exceed the lease payments in the current period.	(9,401)
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.	(66,209)
Changes in net pension asset/liability, deferred outflows and deferred inflows related to pension assets/liabilities are reported only in the statement of activities.	(428,130)
Change in Net Position of Governmental Activities	$ (1,008,884)

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2025

	Computer Development Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	
Current Assets:	
Cash and Cash Equivalents	$ 2,583,983
Accounts Receivable	47,597
Prepaid Expenses	166,407
Due from Other Funds	1,853
Total Current Assets	$ 2,799,840
Noncurrent Assets:	
Capital Assets:	
Depreciable Capital Assets	$ 3,410,739
Accumulated Depreciation	(3,159,698)
Net Capital Assets	$ 251,041
Amortizable Right-of-Use Assets	$ 290,708
Accumulated Amortization	(132,140)
Net Right-of-Use Asets	$ 158,568
Net Pension Asset	564,565
Total Noncurrent Assets	$ 974,174
Total Assets	$ 3,774,014
Deferred Outflows of Resources:	
Deferred Outflow from Pension Contribution	$ 1,077,535
Total Deferred Outflows of Resources	$ 1,077,535
Total Assets and Deferred Outflows of Resources	$ 4,851,549
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION:	
Current Liabilities:	
Accounts Payable	$ 55,941
Accrued Expenses	51,177
Accrued Compensated Absences, Current Portion	16,857
Total Current Liabilities	$ 123,975
Long-Term Liabilities:	
Accrued Compensated Absences, Net of Current Portion	$ 67,428
Subscription-Based IT Software Liability, Net of Current Portion	72,936
Total Long-Term Liabilities	$ 140,364
Total Liabilities	$ 264,339
Deferred Inflows of Resources:	
Deferred Inflows of Resources Related to Net Pension Asset	$ 844,459
Total Deferred Inflows of Resources	$ 844,459
Net Position:	
Net Investment in Capital and SBITA Assets	$ 336,673
Unrestricted	3,406,078
Total Net Position	$ 3,742,751
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 4,851,549

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, 2025

	Computer Development Fund
OPERATING REVENUES:	
Charges for Services	$ 1,772,940
Grant Administration and Facility Fees	30,168
Member Library Reimbursement Revenue	94,860
Total Operating Revenues	$ 1,897,968
OPERATING EXPENSES:	
Personnel Services	$ 1,250,150
Contractual Services	387,626
Supplies and Materials	202,753
Member Library Reimbursement Expense	94,860
Depreciation	88,950
Amortization	79,284
Change in Pension Expense	183,485
Total Operating Expenses	$ 2,287,108
OPERATING INCOME (LOSS)	$ (389,140)
NON-OPERATING REVENUES (EXPENSES)	
Investment Income	$ 118,762
Interest Expense	(11,950)
Total Non-Operating Revenues (Expenses)	$ 106,812
INCOME (LOSS) BEFORE TRANSFERS	$ (282,328)
Transfers In	350,000
CHANGE IN NET POSITION	$ 67,672
NET POSITION - BEGINNING OF YEAR	3,675,079
NET POSITION - END OF YEAR	$ 3,742,751

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, 2025

	Computer Development Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	$ 1,853,052
Receipts from Interfund Services Provided	30,168
Payments to Vendors	(649,132)
Payments to Employees	(1,241,438)
Net Cash Provided by (Used in) Operating Activities	$ (7,350)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Operating Transfers From Other Funds	$ 350,000
(Increase) Decrease in Due To Other Funds	(222)
Net Cash Provided by (Used in) Noncapital Financing Activities	$ 349,778
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal Payments on Subscription Assets	$ (74,375)
Net Cash Provided by (Used in) Capital and Related Financing Activities	$ (74,375)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment Income	$ 118,762
Net Cash Provided by (Used In) Investing Activities	$ 118,762
NET INCREASE IN CASH	$ 386,815
CASH, BEGINNING OF YEAR	2,197,168
CASH, END OF YEAR	$ 2,583,983
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	
Net Operating Income (Loss)	$ (389,140)
Adjustment to Reconcile Net Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	88,950
Amortization	79,284
(Increase) Decrease in Assets:	
Accounts Receivable	(20,078)
Prepaid Expenses	5,335
Deferred Outflows of Resources	577,794
Increase (Decrease) in Liabilities:	
Accounts Payable	39,886
Deferred Inflows of Resources	(174,907)
Net Pension Asset/Liability	(219,402)
Accrued Expenses	5,378
Compensated Absences Payable	(450)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	$ (7,350)

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2025

	SWAYS - Custodial Fund	OCLC - Custodial Fund	457(b) Plan - OPEB Trust Fund	Total
ASSETS				
Cash	$ 2,195	$ 3,187,164		$ 3,189,359
Investments			$ 350,699	350,699
Accounts Receivable		163,034		163,034
Total Assets	$ 2,195	3,350,198	$ 350,699	$ 3,703,092
LIABILITIES				
Total Liabilities	$ 0	$ 0	$ 0	$ 0
NET POSITION				
Restricted for:				
Postemployment Benefits Due to Individuals			$ 350,699	$ 350,699
Amounts Distributable to Other Agencies	$ 2,195	$ 3,350,198		3,352,393
Total Net Position	$ 2,195	$ 3,350,198	$ 350,699	$ 3,703,092
TOTAL LIABILITIES AND NET POSITION	$ 2,195	$ 3,350,198	$ 350,699	$ 3,703,092

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

ILLINOIS HEARTLAND LIBRARY SYSTEM
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	SWAYS - Custodial Fund	OCLC - Custodial Fund	457(b) Plan - OPEB Trust Fund	Total
ADDITIONS:				
Collections	$ 330	$ 5,563,856		$ 5,564,186
Interest and Investment Income		23,725	$ 40,029	63,754
Other Additions		25		25
Total Additions:	$ 330	$ 5,587,606	$ 40,029	$ 5,627,965
DEDUCTIONS:				
Distributions		$ 5,410,111	$ 12,142	$ 5,422,253
Account Fees		543	2,924	3,467
Other Deductions		25		25
Total Deductions:	$ 0	$ 5,410,679	$ 15,066	$ 5,425,745
CHANGE IN NET POSITION	$ 330	$ 176,927	$ 24,964	$ 202,220
NET POSITION, BEGINNING OF YEAR	$ 1,865	$ 3,173,271	$ 325,736	$ 3,500,872
NET POSITION, END OF YEAR	$ 2,195	$ 3,350,198	$ 350,699	$ 3,703,092

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

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

1. The organization is fiscally dependent on the primary government and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or

2. The primary government appoints a voting majority of the organization's governing body and:

    - It is able to impose its will on the organization, or

    - There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the System as a whole. They include all funds of the System, except the fiduciary funds. The Statement of Net Position and the Statement of Activities include the governmental activities and business-type activities. Governmental activities generally are financed through intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Internal balances and activities within the System's funds are eliminated in the government-wide financial statements. Transactions between the governmental and business-type activities are not eliminated.

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting (as described in Note 1.c).

Fund Financial Statements

Fund financial statements of the System are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. The System's funds are organized into three categories: governmental, proprietary, and fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the System or meets the following criteria:

1. Total assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures/expenses of that individual fund are at least 10 percent of the corresponding total for all funds of that category or type.

2. Total assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures/expenses of the individual fund are at least 5 percent of the corresponding total for all funds combined.

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

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

The fund types of the System are described below:

Governmental Funds

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Major Special Revenue Funds

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

Non-Major Special Revenue Funds

The System's non-major special revenue funds are the OCLC Grant Fund and the Library Trustee Training Grant Fund.

Capital Projects Fund – Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets other than those financed by Proprietary Funds. The reporting entity of the System includes one capital projects fund, the Capital Projects Fund, which is reported as a major governmental fund.

Proprietary Fund

Enterprise Fund – An Enterprise Fund is used to account for business-like activities provided to the general public or outside entities. The measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund that is reported as a major fund:

Computer Development Fund – Accounts for all activities related to an automated library database system that provides widespread library accessibility services to a system of member libraries.

Fiduciary Funds

Fiduciary funds are used to report assets held by the System in a trustee or custodial capacity for others and therefore cannot be used to support the System's own programs. The System has three fiduciary funds, the OCLC–Custodial Fund, which is used to account for funds held in trust for the ILLINET OCLC, Lewis and Clark Library System 457 Plan – Pension Trust, which is used to account for funds held in trust for participants that participated in the Lewis and Clark Library System when the organization was still in service, and SWAYS – Custodial Fund, which is used to account for funds from the Southwest Advocates for Youth Services.

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, 2025 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, 2025, 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.

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, with the exception of those arising as a result of a lease or Subscription Based Information Technology Arrangement (SBITA), are recorded at actual or estimated historical cost while donated capital assets are valued at their fair market value on the date donated. Right-of-Use lease and SBITA assets are initially measured as the sum of present value of payments expected to be made during the lease or subscription term, payments associated with the lease or SBITA contract made to the vendor at the lease or subscription commencement, when applicable, and capitalizable implementation costs; less any vendor incentives received at the commencement of the lease or SBITA term. 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:

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

Right-of-Use lease and SBITA assets are amortized on a straight-line basis over the shorter of the lease or subscription term or the underlying asset's useful life.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. 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.

L. Program Revenues

Program Revenues on the statement of activities include the following:

Governmental Activities
Charges for Services – Fees paid by outside entities for 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, vehicles, and other capital assets.

M. 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.

N. Reimbursement Revenue

In the fund financial statements, the System has recorded $61,180 of Reimbursements Revenue in the General Fund and Contractual Services Expenditures in various other funds related to the allocation of Administrative and Facilities Costs from the General Fund to certain grant funds, as allowed by the applicable grant agreement. In the government-wide financial statements, this interfund activity has been eliminated.

O. Compensated Absences

It is the System's policy to permit employees to accumulate earned but unused vacation and sick time. Vacation time is accrued under the vesting method, can be accumulated up to the lesser of 200 percent of an employee's annual amount of vacation earned, or 400 hours, and is paid out to the employee upon termination. This earned vacation leave meets the recognition criteria of a liability, as it is attributable to services already rendered and is more likely than not to be paid. Sick time can be accumulated without a maximum and is not paid out to the employee upon termination. A portion of accrued sick leave also constitutes a liability, as employees are more likely than not to use it for time off, even though sick leave does not vest upon termination. The System measures the liability portion based on a five-year history of usage of each employee. The System also provides paid leave to all

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Compensated Absences (continued)

employees under the Paid Leave for All Workers Act. Full-time employees are provided 40 hours per calendar year, which are granted on January 1 of each year, and are available for use immediately. Part-time employees earn one hour of leave for every forty hours worked, which is available for use as it is accrued. Any PLAW days not used by the end of the calendar year are lost. Based on historical usage, the System believes that all PLAW time granted will be used and, as such, recognizes a liability for the entire unused balance as of the Statement of Net Position date. All compensated absences are 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 and are payable upon separation of employment, for example, as a result of employee resignations or retirements. All compensated absence liabilities are measured using the employee's rate of pay as of the Statement of Net Position date.

P. New Accounting Pronouncements

Effective July 1, 2024, the System adopted the provisions of GASB Statement No. 101, *Compensated Absences*, which represents a change in accounting principle. This statement requires the recognition of a liability for both unused and used, but unpaid, compensated absences. The liability is recognized when the leave is attributable to past services, accumulates, and is more likely than not to be used. The liability is measured at the employee's rate of pay as of the Statement of Net Position date. The implementation of this standard had no effect on the net position of the System.

Effective July 1, 2024, the System adopted the provisions of GASB Statement No. 102, *Certain Risk Disclosures*. This statement requires governments to disclose information about risks from certain concentrations or constraints that limit its ability to acquire resources or control spending. At this time, the System has not identified any new concentrations or constraints that pose a risk requiring disclosure as a result of adopting this standard.

Q. Change in Reporting Entity

During the year ended June 30, 2025, The Library Trustee Training Grant Fund no longer met the criteria for being presented as a major fund. The System now presents this fund with other non-major governmental funds in the fund financial statements. A reconciliation of the change is included in the governmental fund statement of revenues, expenditures, and changes in fund balance. This change had no effect on the net position of the System or the fund balance of any individual funds.

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:

NOTE 2. FUND BALANCE REPORTING (CONTINUED)

A. Nonspendable Fund Balance

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example inventories or prepaid amounts.

B. Restricted Fund Balance

The restricted fund balance classification refers to amounts that are subject to outside restrictions, not controlled by the entity. Things such as restrictions imposed by creditors, grantors, contributors, or laws 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.

C. Committed Fund Balance

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

The System's Board commits fund balance by making motions or passing resolutions to adopt policy or to approve contracts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. There were no committed fund balances for the System as of June 30, 2025.

D. Assigned Fund Balance

The assigned fund balance classification refers to amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed. Intent may be expressed by (a) the System's Board itself or (b) the finance committee, if applicable, to assign amounts to be used for specific purposes.

E. Unassigned Fund Balance

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

F. Expenditures of Fund Balance

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

NOTE 2. FUND BALANCE REPORTING (CONTINUED)

Details of the System's fund balances as of June 30, 2025, are as follows:

	General Fund	CMC Grant Fund	Capital Projects Fund	Other Governmental Funds	Total
Non-spendable:					
Prepaid Expenses	$ 56,867	$ 3,388		$ 7,758	$ 68,013
Restricted:					
State Grants		22,814			22,814
Assigned:					
Capital Projects			$ 640,114		640,114
Unassigned:	4,181,887			(8,401)	4,173,486
Total Fund Balances (Deficit)	$ 4,238,754	$ 26,202	$ 640,114	$ (643)	$ 4,904,427

The following non-major funds had a deficit fund balance at June 30, 2025: OCLC Grant Fund ($643).

NOTE 3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

Cash, cash equivalents, and investments as of June 30, 2025, are classified in the accompanying financial statements as follows:

	Governmental Funds	Proprietary Fund	Fiduciary Funds
Cash and Cash Equivalents	$ 5,086,089	$ 2,583,983	$ 3,189,359
Investments - Mutual and Other Funds			350,699
	$ 5,086,089	$ 2,583,983	$ 3,540,058

Cash, cash equivalents, and investments as of June 30, 2025, consisted of the following:

	Governmental Funds	Proprietary Fund	Fiduciary Funds
Demand Deposits/NOW Accounts with Financial Institutions	$ 621,224	$ 292,030	$ 2,682,738
Illinois Funds	4,464,865	2,291,953	506,621
Lewis & Clark Library System 457(b) Plan - Mutual and Other Funds			350,699
	$ 5,086,089	$ 2,583,983	$ 3,540,058

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

A. Custodial Credit Risk

Custodial credit risk for cash and cash equivalents is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of June 30, 2025, none of the System's cash or cash equivalents were considered to be uninsured or uncollateralized. As of June 30, 2025, the System had investments in securities held in Fiduciary Funds for the Lewis & Clark Library System 457(b) Plan of $250,000, which were covered by SIPC and $100,699, which were uninsured.

The System's investment in the state investment pool is fully collateralized. The System maintains a separate investment account representing a proportionate share of the pool assets and its respective collateral; therefore no collateral is identified with each individual participant's account. The total balance in the System's state investment pool as of June 30, 2025, was $7,263,439 for governmental, proprietary, and fiduciary funds. The System's investment in the state investment pool is reported at cost which estimates fair value.

B. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the System manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The system had no investments susceptible to interest rate risk as of June 30, 2025.

C. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The credit risk of investments is addressed by the System's investment policy by limiting investments to instruments insured by the FDIC, issued by the U.S. Treasury, or the Illinois Funds portfolios overseen by the Treasurer of the State of Illinois. As of June 30, 2025, the System has $7,263,439 deposited into accounts with the Illinois Funds. The investment pool has earned Standard and Poor's highest rating (AAA).

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

As of June 30, 2025, the System had the following investments. Ratings, where applicable, were rated by Morningstar:

	Fiduciary Funds	Rating
NCIT Large Cap Growth B	$ 91,275	**N/A**
NCIT Clearbridge Large Cap Value B	66,374	★★
Nationwide Large Cap Growth	1,416	**N/A**
SEI S&P 500 Index	191,634	★★★★
	$ 350,699	

D. Fair Value Hierarchy

The System categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significantly unobservable inputs. The Level 3 investments are not mutual funds and their performance cannot be obtained through public resources. The value is tracked by the portfolio manager and was obtained from the June 30, 2025 quarterly statement.

As of June 30, 2025, the System's investments were categorized as follows:

	Level 1	Level 2	Level 3	Not Requiring Leveling	Total
Mutual Funds					
NCIT Large Cap Growth B	$ 91,275				$ 91,275
NCIT ClearbridgeLarge Cap Value B	66,374				66,374
SEI S&P 500 Index	191,634				191,634
Other Investments					
Nationwide Large Cap Growth			$ 1,416		1,416
	$349,283	$ 0	$ 1,416	$ 0	$350,699

NOTE 4. RECEIVABLES

At June 30, 2025, receivables were as follows for the governmental activities and governmental funds:

	Receivables
State Grant	$ 38,730
Member Libraries	66,762
Total	$ 105,492

At June 30, 2025, receivables were as follows for the business-type activities and enterprise fund:

	Receivables
Member Libraries	$ 47,597
Total	$ 47,597

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, 2025:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets, Not Being Depreciated				
Land	$ 411,667			$ 411,667
Construction in Progress		$ 71,832		71,832
Total Capital Assets, Not Being Depreciated	$ 411,667	$ 71,832	$ 0	$ 483,499
Capital Assets, Being Depreciated				
Automobiles	$ 1,219,034	$ 258,410	$ 27,694	$ 1,449,750
Buildings and Improvements	3,182,830	114,332		3,297,162
Equipment and Other	2,003,721	579,850		2,583,571
Furniture and Fixtures	391,590			391,590
Computers	1,091,099			1,091,099
Total Capital Assets, Being Depreciated	$ 7,888,274	$ 952,592	$ 27,694	$ 8,813,172
Right-of-Use Assets, Being Amortized				
Leased Office Space		$ 355,800		$ 355,800
Total Right-of-Use Assets, Being Amortized	$ 0	$ 355,800	$ 0	$ 355,800
Less Accumulated Depreciation and Amortization:				
Automobiles	$ 549,331	$ 184,018	$ 27,694	$ 705,655
Buildings and Improvements	2,132,894	107,062		2,239,956
Equipment and Other	2,003,721	4,832		2,008,553
Furniture and Fixtures	391,590			391,590
Computers	1,071,540	4,378		1,075,918
Total Accumulated Depreciation	$ 6,149,076	$ 300,290	$ 27,694	$ 6,421,672
Leased Office Space		$ 46,409		$ 46,409
Total Accumulated Amortization	$ 0	$ 46,409	$ 0	$ 46,409
Total Capital Assets Being Depreciated and Amortized, Net	$ 1,739,198	$ 961,693	$ 0	$ 2,700,891
Governmental Activities Capital Assets, Net	$ 2,150,865	$ 1,033,525	$ 0	$ 3,184,390

NOTE 5. CAPITAL ASSETS (CONTINUED)

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

General Library Services	$ 346,699
Total Depreciation and Amortization	$ 346,699

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, 2025:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets, Being Depreciated				
Equipment	$ 1,679,402			$ 1,679,402
Computers	1,731,337			1,731,337
Total Capital Assets, Being Depreciated	$ 3,410,739	$ 0	$ 0	$ 3,410,739
Right-of-Use Assets, Being Amortized				
Subscription Software	$ 290,708			$ 290,708
Total Right-of-Use Assets, Being Amortized	$ 290,708	$ 0	$ 0	$ 290,708
Less Accumulated Depreciation and Amortization:				
Equipment	$ 1,679,402			$ 1,679,402
Computers	1,391,346	$ 88,950		1,480,296
Total Accumulated Depreciation	$ 3,070,748	$ 88,950	$ 0	$ 3,159,698
Subscription Software	$ 52,856	$ 79,284		$ 132,140
Total Accumulated Amortization	$ 52,856	$ 79,284	$ 0	$ 132,140
Total Capital Assets Being Depreciated and Amortized, Net	$ 577,843	$ (168,234)	$ 0	$ 409,609
Enterprise Activities Capital Assets, Net	$ 577,843	$ (168,234)	$ 0	$ 409,609

NOTE 5. CAPITAL ASSETS (CONTINUED)

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

Computer Development	$ 168,234
Total Depreciation and Amortization	$ 168,234

NOTE 6. LONG-TERM LIABILITIES

The following is a summary of changes in the System's long-term liabilities of the governmental activities for the year ended June 30, 2025:

	June 30, 2024	Increases	Decreases	June 30, 2025	Due Within One Year
Accrued					
Compensated Absences	$ 203,754	$ 66,209		$ 269,963	$ 53,993
Lease Liability		355,800	$ 37,008	318,792	49,545
Totals	$ 203,754	$ 422,009	$ 37,008	$ 588,755	$ 103,538

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, 2025:

	June 30, 2024	Increases	Decreases	June 30, 2025	Due Within One Year
Accrued					
Compensated Absences	$ 84,735		$ 450	$ 84,285	$ 16,857
Subscription Liabilities	135,361		62,425	72,936	
Totals	$ 220,096	$ 0	$ 62,875	$ 157,221	$ 16,857

Subscription-Based Information Technology Arrangements

The System has a subscription-based information technology arrangement (SBITA) for a software platform used in the Computer Development Fund, the terms of which expire June 30, 2027. This SBITA has a remaining term of 24 months and a discount rate of 8.49% was used to calculate the lease liability.

The following schedule represents the principal and interest required by year under SBITAs as of June 30, 2025:

Year Ending June 30	Principal	Interest	Total
2026	$	$	$
2027	72,936	6,439	79,375
	$ 72,936	$ 6,439	$ 79,375

NOTE 6. LONG-TERM LIABILITIES (CONTINUED)

Leases

The System leases office space under a non-cancellable lease which began on October 1, 2024 and expires on June 30, 2029, with an option to renew for an additional year. It is reasonably certain that the System will exercise its option to extend the lease term. At June 30, 2025, the remaining right-of-use asset, net of accumulated amortization, for the office space was $309,391 and the remaining lease liability was $318,792. For the year ended June 30, 2025, the System recognized interest expense of $17,914 in the Statement of Activities. This lease has a remaining term of 60 months and a discount rate of 7.99% was used to calculate the lease liability.

The following schedule represents the principal and interest, to be paid out of the General Fund, required by year under the lease as of June 30, 2025:

Year Ending June 30	Principal	Interest	Total
2026	$ 49,545	$ 23,684	$ 73,229
2027	59,497	19,365	78,862
2028	64,429	14,433	78,862
2029	69,769	9,093	78,862
2030	75,552	3,310	78,862
	$ 318,792	$ 69,885	$ 388,677

NOTE 7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables at June 30, 2025, are summarized below:

	Due From Other Funds	Due To Other Funds
Major Governmental Funds		
General Fund	$ 43,721	$ 375
CMC Grant Fund	120	3,249
Total Major Governmental Funds	$ 43,841	$ 3,624
Non-Major Governmental Funds		
OCLC Grant Fund	$ 21	$ 6,285
Library Trustee Training Grant Fund	7	35,813
Total Non-Major Governmental Funds	$ 28	$ 42,098
Major Proprietary Funds		
Computer Development Fund	$ 1,853	
Total Proprietary Funds	$ 1,853	$ 0
Total for all Governmental and Proprietary Funds	$ 45,722	$ 45,722

NOTE 7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

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, 2025, are summarized below:

	Transfer In	Transfer Out
Major Governmental Funds		
General Fund		$ 1,073,514
Capital Project Fund	$ 723,514	
Total Major Governmental Funds	$ 723,514	$ 1,073,514
Major Proprietary Funds		
Computer Development Fund	$ 350,000	
Total Proprietary Funds	$ 350,000	$ 0
Total for all Governmental and Proprietary Funds	$ 1,073,514	$ 1,073,514

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

NOTE 8. 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 97, plan balances and activities are reflected as a Fiduciary Fund within the System's financial statements.

NOTE 9. OTHER POST EMPLOYMENT BENEFITS

The System currently offers post-employment benefits to retirees by offering continuation of participation in the System's health insurance plan as required by law for a period of 18 months (COBRA coverage). The retiree pays 100% of their own premium cost. As of June 30, 2025, no retirees were covered under COBRA coverage. As such, no Other Post Employment Benefit's liability has been recorded as of June 30, 2025.

NOTE 10. DEFINED BENEFIT PENSION PLAN

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

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

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

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

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

At December 31, 2024, the following employees were covered by the Plan:

Active Employees	68
Inactive employees or beneficiaries currently receiving benefits	218
Inactive employees entitled to but not yet receiving benefits	69
Total	355

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 2024 was 0.81 percent. For the fiscal year ended June 30, 2025, the System contributed $35,786 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.

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability. The System's net pension liability was measured as of December 31, 2024, 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, 2024, actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Assets Valuation Method	Market Value of Assets
Price Inflation	2.25%
Salary Increases	2.85% to 13.75%
Investment Rate of Return	7.25%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2023 valuation pursuant to an experience study of the period 2020-2022.
Mortality	For non-disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 108%) and Female (adjusted 106.4%) tables, and future mortality improvements projected using scale MP-2021. 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-2021. For active members, the Pub-2010, Amount- Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2021.

Other Information:

Notes There were no benefit changes during the year.

A detailed description of the actuarial assumptions and methods can be found in the December 31, 2024 Illinois Municipal Retirement Fund annual actuarial valuation report.

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

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

			Projected Returns/Risk	
Asset Class	Target Allocation	Return 12/31/2024	One Year Arithmetic	Ten Year Geometric
Equities	33.50%	19.02%	5.70%	4.35%
International Equities	18.00%	6.35%	7.10%	5.40%
Fixed Income	24.50%	3.14%	5.30%	5.20%
Real Estate	10.50%	2.25%	7.30%	6.40%
Alternatives	12.50%	6.72%		
Private Equity		N/A	10.00%	6.25%
Hedge Funds		N/A	N/A	N/A
Commodities		N/A	6.05%	4.85%
Cash Equivalents	1.00%	5.57%	3.60%	3.60%
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 (to the extent that the plan's fiduciary net position is project to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.25%, the municipal bond rate is 4.08%, and the resulting single discount rate is 7.25%.

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in System's Net Pension Liability. Changes in the System's net pension liability (asset) for the year ended December 31, 2024, were as follows:

	Total Pension Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance, December 31, 2023	$ 34,922,156	$ 36,235,782	$ (1,313,626)
Changes for the year:			
Service Cost	309,453		309,453
Interest	2,448,274		2,448,274
Difference between expected and actual experience	(472,091)		(472,091)
Changes in assumptions	0		0
Contributions-employees		175,704	(175,704)
Contributions- employer		37,484	(37,484)
Net investment income		3,755,351	(3,755,351)
Benefit payments including refunds of employee Contributions	(2,615,172)	(2,615,172)	0
Other (Net Transfer)		(951,563)	951,563
Net Changes	$ (329,536)	$ 401,804	$ (731,340)
Balance, December 31, 2024	$ 34,592,620	$ 36,637,586	$ (2,044,966)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as, what the net pension liability (asset) 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:

	Discount Rate	Net Pension Liability (Asset)
1% decrease	6.25%	$ 1,180,975
Current discount rate	7.25%	(2,044,966)
1% increase	8.25%	(4,728,821)

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, 2025, the System recognized pension expense of $611,617. At June 30, 2025, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		$ 158,242
Changes of assumptions		
Net difference between projected and actual earnings on Plan investments	$ 3,676,544	2,754,278
Contributions after Measurement Date	16,518	
Total	$ 3,693,062	$ 2,912,520

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

Year ending December 31,	
2025	$ 301,477
2026	1,283,650
2027	(554,622)
2028	(249,963)
2029	0
Thereafter	0
Total	$ 780,542

NOTE 11. RELATED PARTY TRANSACTIONS

The System's Board of Directors is comprised of representatives from its member organizations. Member organizations pay fees to the System for various services. For the year ended June 30, 2025, total charges for services revenue earned from these organizations was $228,877. At June 30, 2025, the System had receivable balances of $20 in the General Fund and $59 in the Computer Development Fund from these organizations.

NOTE 12. RISK OF LOSS

Significant losses are covered by commercial insurance for property, liability, and workers compensation. During the year ended June 30, 2025, there were no significant reductions in coverage. There have been no material settlement amounts that have exceeded insurance coverage or that have been uncovered by insurance in the past three years.

NOTE 13. CONCENTRATION OF REVENUE

For the year ended June 30, 2025, 63.7% of the System's revenue was received through grants or allocations from the Illinois Secretary of State's Office through the Illinois State Library.

NOTE 14. COMMITMENTS AND CONTINGENCIES

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

NOTE 15. EXCESS OF EXPENDITURES OVER BUDGET

There were no major funds that had excess expenditures over budget for the fiscal year ended June 30, 2025.

NOTE 16. SUBSEQUENT EVENTS

Management has evaluated the effect of subsequent events on the financial statements through **September** 5, 2025, 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, 2025

	Budget Original	Budget Final	Actual	Over/(Under) Final Budget
REVENUES:				
State Grants:				
Area and Per Capita - State Allotment	$ 3,260,130	$ 3,260,130	$ 3,260,130	
Area and Per Capita - Federal Pass Through	659,722	659,722	659,722	
Fees for Services and Material	395,925	395,925	394,791	$ (1,134)
Reimbursements	8,726	8,726	11,173	2,447
Investment Income	94,467	94,467	209,999	115,532
Other Revenue	90,136	90,136	134,301	44,165
Total Revenues	$ 4,509,106	$ 4,509,106	$ 4,670,116	$ 161,010
EXPENDITURES:				
Current:				
General Library Services:				
Personnel Service	$ 3,800,108	$ 3,837,108	$ 3,510,855	$ (326,253)
Contractual Services	514,780	444,780	344,189	(100,591)
Supplies and Materials	844,852	851,852	701,866	(149,986)
Member Library Reimbursement Expense	8,726	8,726	12,573	3,847
Total Expenditures	$ 5,168,466	$ 5,142,466	$ 4,569,483	$ (572,983)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ (659,360)	$ (633,360)	$ 100,633	$ 733,993
OTHER FINANCING SOURCES (USES)				
Transfers Out	(1,075,000)	(1,075,000)	(1,073,514)	1,486
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	$ (1,734,360)	$ (1,708,360)	$ (972,881)	$ 735,479
FUND BALANCE - BEGINNING OF YEAR			5,211,635	
FUND BALANCE - END OF YEAR			$ 4,238,754	

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, 2025

	Budget			Over/(Under)
	Original	Final	Actual	Final Budget
REVENUES:				
State Grants:				
Illinois State Library	$ 709,016	$ 709,016	$ 665,076	$ (43,940)
Total Revenues	$ 709,016	$ 709,016	$ 665,076	$ (43,940)
EXPENDITURES:				
Current:				
General Library Services:				
Personnel Service	$ 613,718	$ 613,718	$ 573,667	$ (40,051)
Contractual Services	88,661	88,661	84,509	(4,152)
Supplies and Materials	6,637	6,637	6,900	263
Total Expenditures	$ 709,016	$ 709,016	$ 665,076	$ (43,940)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 0	$ 0	$ 0	$ 0
FUND BALANCE - BEGINNING OF YEAR			26,202	
FUND BALANCE - END OF YEAR			$ 26,202	

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025

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 and the Library Trustee Training Grant, which are 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, 2025.

SCHEDULE "2"

ILLINOIS HEARTLAND LIBRARY SYSTEM

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

LAST 10 CALENDAR YEARS (schedule to be built prospectively from 2015)

Calendar year ending December 31,	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service Cost	$ 309,453	$ 292,071	$ 253,687	$ 220,516	$ 228,448	$ 224,615	$ 179,185	$ 186,886	$ 240,821	$ 208,201
Interest on the Total Pension Liability	2,448,274	2,421,456	2,368,278	2,363,963	2,370,681	2,333,691	2,318,785	2,331,743	2,314,570	2,234,972
Benefit Changes	0	0	0	0	0	0	0	0	0	0
Difference between Expected and Actual Experience	(472,091)	296,562	668,797	(48,565)	(37,780)	368,851	337,494	504,869	(214,774)	616,002
Assumption Changes	0	(40,241)	0	0	(204,627)	0	736,512	(997,797)	0	0
Benefit Payments and Refunds	(2,615,172)	(2,602,104)	(2,550,820)	(2,435,149)	(2,455,681)	(2,382,045)	(2,263,936)	(2,125,298)	(2,044,060)	(1,984,300)
Net Change in Total Pension Liability	(329,536)	367,744	739,942	100,765	(98,959)	545,112	1,308,040	(99,597)	296,557	1,074,875
Total Pension Liability - Beginning	34,922,156	34,554,412	33,814,470	33,713,705	33,812,664	33,267,552	31,959,512	32,059,109	31,762,552	30,687,677
Total Pension Liability - Ending (a)	$ 34,592,620	$ 34,922,156	$ 34,554,412	$ 33,814,470	$ 33,713,705	$ 33,812,664	$ 33,267,552	$ 31,959,512	$ 32,059,109	$ 31,762,552
Plan Fiduciary Net Position										
Employer Contributions	$ 37,484	$ 33,584	$ 27,231	$ 103,134	$ 183,339	$ 40,470	$ 177,666	$ 202,868	$ 273,509	$ 325,404
Employee Contributions	175,704	157,431	140,853	117,027	110,564	108,703	93,727	84,381	94,367	132,256
Pension Plan Net Investment Income	3,755,351	3,932,880	(6,173,137)	6,915,910	5,435,425	6,374,681	(2,365,486)	5,935,957	2,104,214	152,703
Benefit Payments and Refunds	(2,615,172)	(2,602,104)	(2,550,820)	(2,435,149)	(2,455,681)	(2,382,045)	(2,263,936)	(2,125,298)	(2,044,060)	(1,984,300)
Other	(951,563)	545,201	(194,806)	(637,457)	(340,144)	245,524	889,733	(663,474)	506,944	704,141
Net Change in Plan Fiduciary Net Position	401,804	2,066,992	(8,750,679)	4,063,465	2,933,503	4,387,333	(3,468,296)	3,434,434	934,974	(669,796)
Plan Fiduciary Net Position - Beginning	36,235,782	34,168,790	42,919,469	38,856,004	35,922,501	31,535,168	35,003,464	31,569,030	30,634,056	31,303,852
Plan Fiduciary Net Position - Ending (b)	$ 36,637,586	$ 36,235,782	$ 34,168,790	$ 42,919,469	$ 38,856,004	$ 35,922,501	$ 31,535,168	$ 35,003,464	$ 31,569,030	$ 30,634,056
Net Pension Liability/(Asset) -Ending (a)-(b)	(2,044,966)	(1,313,626)	385,622	(9,104,999)	(5,142,299)	(2,109,837)	1,732,384	(3,043,952)	490,079	1,128,496
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	105.91%	103.76%	98.88%	126.93%	115.25%	106.24%	94.79%	109.52%	98.47%	96.45%
Covered Valuation Payroll	$ 3,904,538	$ 3,498,457	$ 3,130,052	$ 2,600,594	$ 2,338,492	$ 2,269,397	$ 2,082,826	$ 1,800,090	$ 2,018,517	$ 2,245,715
Net Pension Liability as a Percentage of Covered Valuation Payroll	(52.37%)	(37.55%)	12.32%	(350.11%)	(219.90%)	(92.97%)	83.17%	(169.10%)	24.28%	50.25%

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS

LAST 10 CALENDAR YEARS

Calendar Year Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2015	$ 325,404	$ 325,404	$ 0	$ 2,245,715	14.49%
2016	273,509	273,509	0	2,018,517	13.55%
2017	188,289	202,868	(14,579)	1,800,090	11.27%
2018	177,665	177,666	(1)	2,082,826	8.53%
2019	18,609	40,470	(21,861)	2,269,397	1.78%
2020	183,338	183,339	(1)	2,338,492	7.84%
2021	97,002	103,134	(6,132)	2,600,594	3.97%
2022	27,231	27,231	0	3,130,052	0.87%
2023	33,585	33,584	1	3,498,457	0.96%
2024	37,484	37,484	0	3,904,538	0.96%

ILLINOIS HEARTLAND LIBRARY SYSTEM
NOTES TO THE SCHEDULE OF CONTRIBUTIONS
SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS
USED IN THE CALCULATION OF THE 2024 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 2024 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): 19-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 14 years for most employers (five employers were financed over 16 years; one employer was financed over 16 years; two employers were financed over 17 years; one employer was financed over 20 years; three employers were financed over 23 years; four employers were financed over 24 years and one employer was financed over 25 years).
Asset Valuation Method	5-Year smoothed market; 20% corridor
Wage Growth	2.75%
Price Inflation	2.25%
Salary Increases	2.75% to 13.75% including inflation
Investment Rate of Return	7.25%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2020 valuation pursuant to an experience study of the period 2017-2019.
Mortality	For non-disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 106%) and Female (adjusted 105%) tables, and future mortality improvements projected using scale MP-2020. For disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020. For active members, the Pub-2010, Amount Weighted, below-median income, General, Employee, male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.

Other Information:

Notes	There were no benefit changes during the year.

*Based on Valuation Assumptions used in the December 31, 2022 actuarial valuation

ILLINOIS HEARTLAND LIBRARY SYSTEM
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2025

	OCLC Grant	Library Trustee Training Grant	Total Non-Major Special Revenue Funds
ASSETS			
Cash and Cash Equivalents	$ 4,951	$ 4	$ 4,955
Accounts Receivable		38,730	38,730
Prepaid Expenses	6,068	1,690	7,758
Due from Other Funds	21	7	28
Total Assets	$ 11,040	$ 40,431	$ 51,471
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	$ 64	$ 1,239	$ 1,303
Accrued Expenses	5,334	3,379	8,713
Due to Other Funds	6,285	35,813	42,098
Total Liabilities	$ 11,683	$ 40,431	$ 52,114
Fund Balances:			
Nonspendable	$ 6,068	$ 1,690	$ 7,758
Unassigned	(6,711)	(1,690)	(8,401)
Total Fund Balances (Deficit)	$ (643)	$ 0	$ (643)
Total Liabilities and Fund Balances	$ 11,040	$ 40,431	$ 51,471

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, 2025

	OCLC Grant	Library Trustee Training Grant	Total Non-Major Special Revenue Funds
REVENUES:			
State Grants:			
Illinois State Library	$ 175,573	$ 166,321	$ 341,894
Total Revenues	$ 175,573	$ 166,321	$ 341,894
EXPENDITURES:			
General Library Services:			
Personnel Service	$ 145,845	$ 56,405	$ 202,250
Contractual Services	24,861	109,669	134,530
Supplies and Materials	4,867	247	5,114
Total Expenditures	$ 175,573	$ 166,321	$ 341,894
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 0	$ 0	$ 0
FUND BALANCE (DEFECIT), BEGINNING OF YEAR	(643)	0	(643)
FUND BALANCE (DEFICIT), END OF YEAR	$ (643)	$ 0	$ (643)

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Budget Original	Budget Final	Actual
REVENUES:			
State Grants:			
Area and Per Capita - State Allotment	$ 3,260,130	$ 3,260,130	$ 3,260,130
Area and Per Capita - Federal Pass Through	659,722	659,722	659,722
Fees for Services and Material	395,925	395,925	394,791
Reimbursements	8,726	8,726	11,173
Investment Income	94,467	94,467	209,999
Other Revenue	90,136	90,136	134,301
Total Revenues	$ 4,509,106	$ 4,509,106	$ 4,670,116
EXPENDITURES:			
General Library Services:			
Personnel			
Salaries and Wages	$ 2,926,069	$ 2,926,069	$ 2,828,742
Payroll Taxes and Fringe Benefits	844,513	881,513	662,230
Recruiting	8,700	8,700	7,935
Training and Professional Development	20,826	20,826	11,948
Contractual Services			
Contractual Agreements	75,171	75,171	71,019
Travel, Meetings, and Continuing Education for Staff and Board	84,293	84,293	35,421
Professional Services	43,719	43,719	38,557
Consulting	52,500	52,500	27,265
Contractual Staff	106,750	36,750	41,888
Liability Insurance	23,722	23,722	23,858
Telephone and Telecommunications	27,659	27,659	26,303
Conferences and Continuing Education Meetings	55,500	55,500	48,797
Professional Association Membership Dues	9,836	9,836	7,184
Public Relations	35,630	35,630	23,897
Supplies and Materials			
Computer Supplies	39,920	39,920	26,155
General Office Supplies and Equipment	8,950	8,950	7,718
Postage	575	575	656
Delivery Supplies	109,993	116,993	117,650
Buildings and Grounds	287,428	287,428	240,681
Vehicle Expenses	386,957	386,957	299,557
Miscellaneous	4,910	4,910	4,970
Equipment Rental, Repair, and Maintenance	6,119	6,119	4,479
Member Library Reimbursement Expense	8,726	8,726	12,573
Total Expenditures	$ 5,168,466	$ 5,142,466	$ 4,569,483
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (659,360)	$ (633,360)	$ 100,633
OTHER FINANCING SOURCES (USES):			
Transfers Out	(1,075,000)	(1,075,000)	(1,073,514)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	$ (1,734,360)	$ (1,708,360)	$ (972,881)
FUND BALANCE - BEGINNING OF YEAR			5,211,635
FUND BALANCE - END OF YEAR			$ 4,238,754

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, 2025

	Budget		
	Original	Final	Actual
REVENUES:			
State Grants:			
Illinois State Library	$ 709,016	$ 709,016	$ 665,076
Total Revenues	$ 709,016	$ 709,016	$ 665,076
EXPENDITURES:			
General Library Services:			
Personnel	$ 613,718	$ 613,718	$ 573,667
Contractual Services			
Contractual Agreements	70,357	70,357	60,356
Travel, Meetings, and Continuing Education for Staff and Board	11,016	11,016	11,496
Professional Services			5,963
Professional Association Membership Dues	1,560	1,560	1,605
Telephone and Telecommunications	1,728	1,728	1,728
Public Relations	4,000	4,000	3,361
Supplies and Materials			
Computer Supplies	4,800	4,800	5,188
Supplies, Postage and Printing	150	150	100
Vehicle Expenses	100	100	108
Equipment Rental, Repair, and Maintenance	1,587	1,587	1,504
Total Expenditures	$ 709,016	$ 709,016	$ 665,076
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 0	$ 0	$ 0
FUND BALANCE - BEGINNING OF YEAR			26,202
FUND BALANCE - END OF YEAR			$ 26,202

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
OCLC GRANT FUND - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Budget		
	Original	Final	Actual
REVENUES:			
State Grants:			
Illinois State Library	$ 175,573	$ 175,573	$ 175,573
Total Revenues	$ 175,573	$ 175,573	$ 175,573
EXPENDITURES:			
General Library Services:			
Personnel	$ 143,244	$ 143,244	$ 145,845
Contractual Services			
Contractual Agreements	22,227	22,227	15,912
Professional Services	2,000	2,000	7,806
Professional Association Membership Dues	400	400	375
Telephone & Telecommunication	768	768	768
Supplies and Materials			
Computer Supplies			1,841
Equipment Rental, Repair, and Maintenance	3,180	3,180	2,289
Supplies, Postage and Printing	3,754	3,754	737
Total Expenditures	$ 175,573	$ 175,573	$ 175,573
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 0	$ 0	$ 0
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR			(643)
FUND BALANCE (DEFICIT) - END OF YEAR			$ (643)

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, 2025

	Budget Original	Budget Final	Actual
REVENUES:			
Illinois State Library	$ 166,321	$ 166,321	$ 166,321
Total Revenues	$ 166,321	$ 166,321	$ 166,321
EXPENDITURES:			
General Library Services:			
Personnel	$ 56,426	$ 56,426	$ 56,405
Contractual Services			
Contractual Agreements	69,929	69,929	70,002
Travel, Meetings, and Continuing Education for Staff and Board	4,864	4,864	5,013
Professional Services	7,500	7,500	7,620
Contracted Staff	19,000	19,000	19,100
Professional Association Membership Dues	150	150	150
Telephone and Telecommunications	192	192	192
Public Relations	7,410	7,410	7,592
Supplies and Materials			
Supplies, Postage, and Printing	775	775	247
Vehicle Expenses	75	75	
Total Expenditures	$ 166,321	$ 166,321	$ 166,321
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 0	$ 0	$ 0
FUND BALANCE - BEGINNING OF YEAR			0
FUND BALANCE - END OF YEAR			$ 0

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Budget		
	Original	Final	Actual
REVENUES:			
Investment Income	$ 17,846	$ 17,846	$ 37,969
Total Revenues	$ 17,846	$ 17,846	$ 37,969
EXPENDITURES:			
Capital Outlay	$ 1,022,500	$ 1,122,500	$ 1,024,424
Total Expenditures	$ 1,022,500	$ 1,122,500	$ 1,024,424
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (1,004,654)	$ (1,104,654)	$ (986,455)
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Capital Assets			6,544
Transfers from Other Funds	725,000	725,000	723,514
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	$ (279,654)	$ (379,654)	$ (256,397)
FUND BALANCE - BEGINNING OF YEAR			896,511
FUND BALANCE - END OF YEAR			$ 640,114

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, 2025. 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, 2025.

Subrecipient Monitoring

Illinois Heartland Library System did not pass through any of its federal funds to subrecipients during the year ended June 30, 2025.

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, 2025

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 2025-001

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	Name of Federal Program
45.310	Grants to States Program

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

Auditee does not qualify as a low-risk auditee.

ILLINOIS HEARTLAND LIBRARY SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025

FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 2025-001 – 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.

FINDING – FINANCIAL STATEMENT AUDIT

Finding 2024-001 – 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.

Current Status – The System believes its accounting staff maintains adequate books and records of the System's transactions. Additionally, the System does not believe it is cost beneficial to hire additional accounting expertise to ensure its annual financial statements are prepared in accordance with accounting standards discussed above. This finding is recurring and is listed as 2025-001.

September 5, 2024

CORRECTIVE ACTION PLAN

Illinois State Library

The Illinois Heartland Library System respectfully submits the following corrective action plan for the year ended June 30, 2025.

Name and address of independent public accounting firm:

Scheffel Boyle
322 State Street
Alton, IL 62002

Audit Period: For the Year Ended June 30, 2025

The findings from the June 30, 2025, 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

2025-001

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,

Leslie Bednar, Executive Director

Rhonda Johnisee, Finance Director