



REACHING ACROSS ILLINOIS LIBRARY SYSTEM

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

A grayscale photograph of a library interior, showing rows of bookshelves and a walkway. The image is overlaid with a complex, semi-transparent geometric pattern of overlapping triangles and lines.

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REACHING ACROSS ILLINOIS LIBRARY SYSTEM
TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR’S REPORT	1-3
GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS	
Management’s Discussion and Analysis.....	MD&A 1-8
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position.....	4
Statement of Activities	5
Fund Financial Statements	
Governmental Funds	
Balance Sheet.....	6
Reconciliation of Fund Balances of Governmental Funds to the Governmental Activities in the Statement of Net Position.....	7
Statement of Revenues, Expenditures, and Changes in Fund Balances	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Governmental Activities in the Statement of Activities	9
Notes to Financial Statements	10-25
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
General Fund	26
Grant Fund.....	27
Illinois Municipal Retirement Fund	
Schedule of Employer Contributions	28
Schedule of Changes in the Employer’s Net Pension Liability and Related Ratios	29
Notes to Required Supplementary Information	30

REACHING ACROSS ILLINOIS LIBRARY SYSTEM
TABLE OF CONTENTS (Continued)

	<u>Page(s)</u>
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES	
MAJOR GOVERNMENT FUNDS	
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual General Fund	31-32
SUPPLEMENTARY FINANCIAL INFORMATION	
Schedule of Expenditures - Budget and Actual General Fund	33-35
LLSAP Subfund	36
Delivery Subfund	37-38
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Capital Projects Fund	39

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors
Reaching Across Illinois Library System

We have audited the accompanying financial statements of the governmental activities and each major fund of the Reaching Across Illinois Library System (RAILS), and related notes to the financial statements, as of and for the year ended June 30, 2019, which collectively comprise RAILS' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to RAILS' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RAILS' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Reaching Across Illinois Library System, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise RAILS' basic financial statements as a whole. The combining and individual fund financial statements and schedules and supplementary financial information are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and schedules and supplementary financial information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 information is 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 17, 2019 on our consideration of RAILS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RAILS' internal control over financial reporting and compliance.

Sikich LLP

Naperville, Illinois
September 17, 2019

**GENERAL PURPOSE EXTERNAL
FINANCIAL STATEMENTS**

Reaching Across Illinois Library System

Management's Discussion and Analysis

September 18, 2018

As the management of the Reaching Across Illinois Library System (RAILS), we offer readers of the RAILS financial statements this narrative overview and analysis of the financial activities of RAILS for the fiscal year ended June 30, 2019. RAILS formed on July 1, 2011 as a merger of five previously existing library systems, so these activities represent RAILS' eighth year of operations. Comparative data to RAILS' prior year of operations, ended June 30, 2018 is presented. This analysis is intended to be an easily readable overview of current year activities and operations and should be read in combination with the basic financial statements that follow.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

Financial Highlights

- Assets exceeded liabilities by \$26,556,682 (net position) at the close of the fiscal year. The total net position for RAILS increased \$731,549 from the June 30, 2018 amount, primarily from an increase in the General Fund earnings.
- Of the net position amount, \$2,669,340 is restricted for the deferred outflows of \$3,667,267, related to contributions made after the measurement date for IMRF, partially offset by the net pension liability of \$558,950 and deferred inflows of \$438,977, primarily related to the net difference between projected and actual earnings on pension plan investments. The amounts restricted for pension items decreased \$38,233 from the prior year amounts. The investment in capital assets, net of any debt used to acquire those assets, is \$2,144,348. The remaining balance of \$21,742,994 is unrestricted and available to fund future operations.
- Total governmental funds reported an end of the year fund balance of \$18,686,336, an increase of \$3,835,667 from the prior year-end funds balance. Cash and investments were \$17,818,311, an increase of \$2,893,480 from the prior year-end funds balance. The General Fund balance of \$15,021,570 would be an amount sufficient to fund approximately 16 months of General Fund expenditures. In addition, RAILS has a \$2.63 million balance in its Capital Projects fund that could be reassigned, if necessary, to fund operations.
- Governmental funds reported a combined total of \$15,644,091 in revenues and \$11,808,424 in expenditures. Area and Per Capita (APC) Grant revenues, RAILS' primary source of revenues, were \$13,203,030, of which \$6,435,000 and \$6,768,030 pertained to the fiscal year 2018 and 2019 awards, respectively.
- Payment timing from the State for the APC grant improved during fiscal year 2019. Amounts awarded but not received as of the close of fiscal year 2018 were \$6,328,580. For fiscal year 2019, \$3,217,500 was awarded but not received, and therefore is classified as deferred inflows of resources. RAILS anticipates receipt of these payments in fiscal year 2020.
- The General Fund's total revenues of \$15,604,413 were above the final budget by \$3,448,725, primarily due to a \$3,323,920 increase in APC revenues as RAILS received a major portion of the fiscal year 2018 award in fiscal year 2019.

- Total General Fund expenditures of \$11,419,099 were below the final budget by \$731,848 due primarily to below budget Contractual Services (\$284,296) and Personnel (\$187,471) expenditures along with lower expenditures in several other categories.
- RAILS completed the third year of its contract for statewide delivery between academic libraries. This contract became effective on July 1, 2016.

USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL REPORT

RAILS' financial statements present two kinds of statements, each with a different snapshot of its finances. The financial statement's focus is on both RAILS as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major funds) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance RAILS' accountability.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of RAILS' finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of RAILS' assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of RAILS is improving or deteriorating.

The Statement of Activities presents information showing how RAILS's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement of some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of RAILS that are principally supported by operating grants, capital grants, and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The primary governmental activities of RAILS are; 1) culture and recreation administration specifically relating to public, academic, school and special libraries; 2) Delivery; 3) the administration of the eRead Illinois program; 4) RAILS' group purchases 5) LLSAP (Local Library System Automation Program) support 6) the Find More Illinois system, which was introduced during late fiscal year 2018 and expanded in fiscal year 2019 and 7) the MARC of Quality grant. LLSAPs are shared online catalog provider entities (CCS, Pinnacle Library Cooperative, PrairieCat, Rock River Library Consortium, RSA NFP and SWAN) that RAILS helps support. These entities provide library users access to a wider variety of materials and help make automation affordable for libraries of all types and sizes. For fiscal years 2019 and 2018, RAILS recorded no business-type activities.

The government-wide financial statements can be found on pages 4 through 5 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. RAILS, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of RAILS can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

RAILS maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Capital Projects Fund and the Grant Fund, all of which are considered to be major funds. LLSAP and Delivery support data are shown in the Supplementary Financial Statements as subsets of the General Fund.

RAILS adopts an annual budget for its General, Grant and Capital Projects Funds in conjunction with its annual Area and Per Capita Grant application. Original and final budgetary comparison statements have been provided for these funds to demonstrate compliance with the budgets. RAILS adopted the original and final budget in May 2018.

The basic governmental fund financial statements can be found on pages 6-9 of this report.

Proprietary Funds

RAILS is recording no activities within its proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Such funds were used by the legacy systems that merged to form RAILS to primarily account for LLSAP activities, which now are legal entities separate from RAILS. RAILS provides financial and administrative support to the LLSAPs. Financial support is provided to two of the LLSAPs as direct quarterly payments from RAILS, and for a third LLSAP, fees charged for these services partially reimburse RAILS for the expenditures incurred. The remaining three LLSAPs did not receive direct financial support from RAILS in fiscal year 2019, but will in fiscal year 2020.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-25 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning RAILS' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 26-31 of this report.

The combining statements referred to earlier in connection with non-major governmental funds immediately follow the required supplementary information. Combining and individual fund statements and schedules can be found on pages 32-37 of this report.

Financial Analysis of RAILS as a Whole Government-Wide Financial Statements

As noted earlier, net position may serve over time as a useful indicator of RAILS' financial position. Prior year data (RAILS' seventh year of operations, fiscal year 2018) is shown. The following table reflects the condensed Statement of Net Position as of June 30, 2019:

	2019	2018
Current and other assets	\$ 22,812,307	\$ 27,776,587
Capital assets	2,144,348	2,118,773
Deferred outflows, IMRF	3,667,267	1,773,034
Total Assets & Def. Outflows	<u>28,623,922</u>	<u>31,668,394</u>
Long-term liabilities	703,708	166,633
Other liabilities	924,555	413,803
Deferred inflows, IMRF/OPEB	438,977	5,262,825
Total Liabilities	<u>2,067,240</u>	<u>5,843,261</u>
Invested in capital assets	2,144,348	2,118,773
Restricted	2,669,340	2,707,573
Unrestricted	21,742,994	20,998,787
Total Net Position	<u>\$ 26,556,682</u>	<u>\$ 25,825,133</u>

The governmental activities end-of-year total net position was \$26,556,682. Current and other assets primarily consisted of cash and investments (\$17.8 million), due from other governments (\$4.3 million), accounts receivable (\$0.5 million) and prepaid expenses (\$0.2 million). Long-term liabilities were the net pension liability (\$0.6 million) and the liability for compensated absences. Other liabilities consisted primarily of due to other governments (\$0.4 million), accounts payable (\$0.2 million), unearned revenue (\$0.2 million) and accrued payroll (\$0.1 million).

Although there were significant variations from the prior year-end amounts in the items related to the IMRF pension (Deferred outflows, IMRF, Deferred inflows, IMRF and net pension asset/liability), the net change in the amounts pertaining to these various IMRF pension items was a decrease of \$38,233 from the prior year. The net pension asset of \$6,197,364 as of June 30, 2018 changed to a net pension liability of \$558,950 as of June 30, 2019, but changes in the deferred inflows and outflows items offset nearly all of this change.

The amounts invested in capital assets increased slightly, as purchases, primarily of new vehicles, were nearly offset by depreciation.

Current and other assets decreased \$5.0 million from the prior year-end amount. This was due primarily to decreases in the net pension asset (\$6.2 million) and due from other governments (\$2.0 million), partially offset by an increase in cash and investments (\$2.9 million). Cash and investments increased primarily from an excess of General Funds revenues over expenditures.

The following table summarizes the government-wide statement of changes in net position for the years ended June 30, 2019 and June 30, 2018:

Table 2
Governmental Activities

	2019	2018
REVENUES		
Program Revenues:		
Charges for Services	\$ 2,043,181	\$ 2,464,441
Operating Grants	10,131,628	9,915,191
Capital Grants	-	-
Total Program Revenues:	12,174,809	12,379,632
Investment Income	335,569	181,635
Miscellaneous	19,283	17,725
Total Revenues	12,529,661	12,578,992
EXPENSES		
Administration	4,542,306	4,564,534
Talking Books	-	104,088
Find More Illinois	191,339	-
eRead Illinois	370,686	416,236
MARC of Quality	38,060	36,080
Group Purchases	1,032,598	957,917
Delivery	3,773,976	3,871,549
LLSAP	1,927,064	2,303,092
Total Expenses	11,876,029	12,253,496
Increase (Decrease) in net position before contributions and transfers	653,632	325,496
Prior Period Adjustment	77,917	(76,852)
Beginning Net Position	25,825,133	25,576,489
Total Net Position	\$ 26,556,682	\$ 25,825,133

RAILS' total revenues for fiscal year 2019 were \$12,529,661, a decrease of \$49,331, or 0.4% from the prior year, primarily due to a \$421,260 decrease in charges for services partially offset by a \$216,437 increase in operating grants and a \$153,934 increase in investment income. Operating grants increased primarily due to an increase in the APC Grant allocation from the State, pertaining to both fiscal years 2018 and 2019. Investment income increased primarily due to higher interest rates on money market investments. Charges for Services decreased due primarily to a \$487,640 decrease in LLSAP support revenues, as former RAILS employees dedicated to PrairieCat became PrairieCat employees on July 1, 2018, and the RAILS support to this LLSAP changed to direct financial assistance rather than charging for a partial reimbursement of services.

RAILS' fiscal year 2019 expenses totaled \$11,876,029, a decrease of \$377,467 from fiscal year 2018 expenses primarily from decreases (\$376,028) in LLSAP expenses, due primarily to the change in the PrairieCat support structure as noted above. RAILS in fiscal year 2019 introduced and incurred expenses of \$191,339 for Find More Illinois, which expands resource sharing and facilitates discovery and interlibrary loan for Illinois libraries and their patrons. Group Purchase expenses, which are reimbursed by the participating members, increased \$74,681. Partially offsetting these increases were the absence of expenses for the Talking Books program, which was discontinued during fiscal year 2018, and lower eRead Illinois and Delivery expenses.

Financial Analysis of RAILS' Funds

For the fiscal year ended June 30, 2019, the governmental funds had a combined fund balance of \$18,686,336, of which \$16,059,577 was within the General Fund, which is the main operating fund of RAILS, and \$2,626,759 within the Capital Projects Fund. Revenues of \$15,644,091, consisting entirely of operating revenues, were \$3,450,343 above the final budget primarily from a \$3,323,920 increase in APC Grant revenues and an \$116,369 increase in investment income.

Expenditures of \$11,808,424 were \$912,583 below budget due primarily to lower General Fund (\$731,848) and Capital Projects Fund (\$182,353) expenditures, partially offset by unbudgeted Grant Fund expenditures of \$1,618 made on a grant received late in fiscal year 2019 to replace the Statewide Library Learning (L2) system. Additional expenditures for this grant will be made in fiscal year 2020.

General Fund expenditures were below budget primarily from lower expenditures for Personnel (\$187,471), Contractual Services (\$284,296), Buildings and Grounds (\$88,528), Travel and Continuing Education (\$46,634), Professional Services (\$101,757) and Supplies, Postage and Printing (\$37,144), partially offset by higher Library Materials (\$42,785, primarily from increased e-Read Illinois content expenditures).

Personnel expenditures were below budget due primarily to the deferred hiring of previous administrative position vacancies in addition to new vacancies occurring during the fiscal year. Salary expenditures, as a result, were \$144,407 below budget. Other salary-related expenditures, primarily Social Security Taxes (\$25,614), Retirement Benefits (\$5,381) and Health, Dental and Life Insurance (\$10,289) were below budget from the lower headcounts due to the deferred hiring.

Contractual Services were below budget mainly to lower than budget (\$253,213) Catalog Membership Grants, the awards of which were \$362,040 compared to a budget of \$615,000, and below budget (\$39,580) delivery related contractual expenditures.

Building and Grounds expenditures were below budget from lower lease expenditures, as additional budgeted costs for facility relocations did not occur, and below budget utilities and repairs and maintenance expenditures.

Professional services expenditures were below budget primarily from lower consulting costs, as budgeted expenditures for the Delivery and Information Technology departments were not incurred during the fiscal year, and lower legal service expenditures.

Capital outlays were \$182,353 below budget. Buildings and Improvements expenditures were \$218,925 below budget as tuck-pointing expenditures for the Burr Ridge facility were well under budget and RAILS did not incur budgeted expenditures for re-cabling the Burr Ridge facility and contingency expenditures for build out at potential new locations. Capital outlays for vehicles were \$41,032 above budget as RAILS purchased eight delivery vehicles, plus lift gates for four new delivery vans purchased, compared to the budgeted purchase of seven vehicles.

The following table summarizes General Fund actual and budget net changes in fund balance for the years ended June 30, 2019 and June 30, 2018:

Table 3
General Fund Budgetary Highlights
For the Fiscal Years Ended June 30

	Fiscal Year 2019		Fiscal Year 2018	
	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues:				
State Grants	\$ 9,879,110	\$ 13,203,030	\$ 9,879,110	\$ 7,512,651
Other	2,276,578	2,401,383	2,572,166	2,663,801
Total revenues	12,155,688	15,604,413	12,451,276	10,176,452
Expenditures and Transfers:				
Expenditures - Current	12,150,947	11,419,099	12,140,143	11,362,743
Expenditures - Capital outlay	-	-	-	-
Total expenditures	12,150,947	11,419,099	12,140,143	11,362,739
Excess (Deficit) of Revenues over Expenditures	4,241	4,185,314	311,133	(1,186,291)
Other Financing Sources	-	-	-	-
Net Change in Fund Balance	<u>\$ 4,741</u>	<u>\$ 4,185,314</u>	<u>\$ 311,133</u>	<u>\$ (1,186,291)</u>

During fiscal year 2019, there were no amendments to the budget. The RAILS' board of directors, for both fiscal years 2019 and 2018, directed that RAILS continue its planned activities and fund any operating deficit by using its reserves.

There were no fiscal year 2019 or 2018 revenues from other financing sources. RAILS, beginning in fiscal year 2016, accounts for all capital outlays within the Capital Projects Fund.

Capital Assets

At the end of fiscal year 2019, RAILS Governmental activities had net fixed assets of approximately \$2.1 million, slightly above the prior year amounts. Of this amount, approximately \$1.6 million was infrastructure (land and buildings and improvements), vehicles were \$0.4 million and computers and equipment approximated \$0.1 million. Additional information on RAILS capital assets can be found in note 3 of this report on page 17.

Economic Factors

RAILS is one of two multi-type regional library systems in the State. Its membership includes academic, public, school and special libraries and the RAILS service area covers northern and western Illinois. RAILS serves 1,269 public, private, university, and school library members, representing nearly 4,000 library facilities in a 27,000 square mile area, and delivers nearly 10 million items between member libraries each year. The funding of RAILS' operations is primarily through the Illinois State Area and Per Capita Grant. The severe budgetary impasses, with the result that the State of Illinois did not adopt fiscal year 2016 and 2017 budgets, resulted in greatly reduced funding and significant fund balance decreases for RAILS in those years. For fiscal years 2018 and 2019, funding appropriations were restored to levels comparable to fiscal year 2015, but due to a large backlog of State liabilities due, the timing of payments from the State of Illinois have improved, but remain delayed.

CONTACTING RAILS' FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of RAILS' finances and to demonstrate RAILS' accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Jim Kregor, Director of Finance and Human Resources, Reaching Across Illinois Library System, 125 Tower Drive, Burr Ridge, IL 60527.

REACHING ACROSS ILLINOIS LIBRARY SYSTEM

STATEMENT OF NET POSITION

June 30, 2019

	Governmental Activities
ASSETS	
Cash and investments	\$ 17,818,311
Receivables (net of allowance where applicable)	
Accounts	461,644
Other	1,414
Due from other governments	4,290,000
Prepaid expenses	240,938
Capital assets, not being depreciated	107,000
Capital assets (net of accumulated depreciation)	<u>2,037,348</u>
 Total assets	 24,956,655
DEFERRED OUTFLOWS OF RESOURCES	
IMRF pension related items	<u>3,667,267</u>
 Total assets and deferred outflows of resources	 <u>28,623,922</u>
LIABILITIES	
Accounts payable	200,878
Due to other governments	386,862
Accrued liabilities	10,791
Accrued payroll	104,845
Unearned revenue	205,095
Noncurrent liabilities	
Due within one year	16,084
Due in more than one year	<u>703,708</u>
 Total liabilities	 1,628,263
DEFERRED INFLOWS OF RESOURCES	
IMRF pension related items	<u>438,977</u>
 Total liabilities and deferred inflows of resources	 <u>2,067,240</u>
NET POSITION	
Net investment in capital assets	2,144,348
Restricted for pension items	2,669,340
Unrestricted	<u>21,742,994</u>
 TOTAL NET POSITION	 <u><u>\$ 26,556,682</u></u>

See accompanying notes to financial statements.

REACHING ACROSS ILLINOIS LIBRARY SYSTEM

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating	Capital	
			Grants and Contributions	Grants and Contributions	
PRIMARY GOVERNMENT					Governmental Activities
Governmental Activities					
Culture and recreation					
Administration	\$ 4,542,306	\$ 15,906	\$ 10,093,568	\$ -	\$ 5,567,168
Find More Illinois	191,339	11,454	-	-	(179,885)
MARC of Quality	38,060	-	38,060	-	-
eRead Illinois	370,686	309,152	-	-	(61,534)
Group purchases	1,032,598	1,003,789	-	-	(28,809)
Delivery	3,773,976	555,577	-	-	(3,218,399)
LLSAP support	1,927,064	147,303	-	-	(1,779,761)
TOTAL PRIMARY GOVERNMENT	\$ 11,876,029	\$ 2,043,181	\$ 10,131,628	\$ -	298,780
			General Revenues		
			Investment income		335,569
			Miscellaneous		19,283
			Total		354,852
			CHANGE IN NET POSITION		653,632
			NET POSITION, JULY 1		25,825,133
			Plus prior period adjustment		77,917
			NET POSITION, JULY 1, RESTATED		25,903,050
			NET POSITION, JUNE 30		\$ 26,556,682

See accompanying notes to financial statements.

REACHING ACROSS ILLINOIS LIBRARY SYSTEM

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2019

	General	Grant	Capital Projects	Total Governmental Funds
ASSETS				
Cash and investments	\$ 15,021,570	\$ 169,982	\$ 2,626,759	\$ 17,818,311
Accounts receivable				
Accounts	461,644	-	-	461,644
Other	1,414	-	-	1,414
Due from other governments	4,290,000	-	-	4,290,000
Prepaid items	240,938	-	-	240,938
TOTAL ASSETS	\$ 20,015,566	\$ 169,982	\$ 2,626,759	\$ 22,812,307
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 200,878	\$ -	\$ -	\$ 200,878
Due to other governments	386,862	-	-	386,862
Accrued liabilities	10,791	-	-	10,791
Accrued payroll	104,845	-	-	104,845
Unearned revenue	35,113	169,982	-	205,095
Total liabilities	738,489	169,982	-	908,471
DEFERRED INFLOWS OF RESOURCES				
Unavailable grant revenue	3,217,500	-	-	3,217,500
Total deferred inflows of resources	3,217,500	-	-	3,217,500
Total liabilities and deferred inflows of resources	3,955,989	169,982	-	4,125,971
FUND BALANCES				
Nonspendable - prepaid items	240,938	-	-	240,938
Assigned for special projects	-	-	2,626,759	2,626,759
Unassigned	15,818,639	-	-	15,818,639
Total fund balances	16,059,577	-	2,626,759	18,686,336
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 20,015,566	\$ 169,982	\$ 2,626,759	\$ 22,812,307

See accompanying notes to financial statements.

REACHING ACROSS ILLINOIS LIBRARY SYSTEM

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION

June 30, 2019

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 18,686,336
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	2,144,348
Net pension liability is not current financial resources and, therefore, are not reported in the governmental funds	(558,950)
Deferred outflows of resources related to IMRF are not current financial resources and, therefore, are not reported in the governmental funds	3,667,267
Deferred inflows of resources related to the RAILS' participation in IMRF are not financial resources and, therefore, are not reported in the governmental funds	(438,977)
Certain grant revenues are unavailable in the governmental funds, but is recorded as revenue in the governmental activities	3,217,500
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Compensated absences payable	<u>(160,842)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 26,556,682</u></u>

See accompanying notes to financial statements.

REACHING ACROSS ILLINOIS LIBRARY SYSTEM

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2019

	General	Grant	Capital Projects	Total Governmental Funds
REVENUES				
State grants				
Area and per capita	\$ 13,203,030	\$ -	\$ -	\$ 13,203,030
System automation and technology	-	38,060	-	38,060
Other state grants	-	1,618	-	1,618
Fees for services and materials	1,039,392	-	-	1,039,392
Reimbursements	1,020,084	-	-	1,020,084
Investment income	335,569	-	-	335,569
Other revenues				
Rental income	500	-	-	500
Miscellaneous	5,838	-	-	5,838
Total revenues	15,604,413	39,678	-	15,644,091
EXPENDITURES				
Culture and recreation				
Personnel	5,062,066	-	-	5,062,066
Library materials	1,384,215	-	-	1,384,215
Buildings and grounds	490,762	-	-	490,762
Vehicle	475,276	-	-	475,276
Travel and continuing education	252,326	-	-	252,326
Public relations	25,460	-	-	25,460
Commercial insurance	20,002	-	-	20,002
Supplies, postage, and printing	139,131	-	-	139,131
Telephone and communications	133,874	-	-	133,874
Equipment rental, repair, and maintenance	119,041	-	-	119,041
Professional services	122,193	-	-	122,193
Contractual services	3,185,316	39,678	-	3,224,994
Professional association membership dues	4,931	-	-	4,931
Miscellaneous	4,506	-	-	4,506
Capital outlay	-	-	349,647	349,647
Total expenditures	11,419,099	39,678	349,647	11,808,424
NET CHANGE IN FUND BALANCES	4,185,314	-	(349,647)	3,835,667
FUND BALANCES, JULY 1	11,874,263	-	2,976,406	14,850,669
FUND BALANCES, JUNE 30	\$ 16,059,577	\$ -	\$ 2,626,759	\$ 18,686,336

See accompanying notes to financial statements.

REACHING ACROSS ILLINOIS LIBRARY SYSTEM

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 3,835,667
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Amounts reported for governmental activities in the statement of activities are different because:

The increase of long-term liabilities for compensated absences is reported as an expenditure when due in governmental funds but as an increase of liabilities on the statement of net position	(22,549)
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Some expenses in the statement of activities (e.g., depreciation) do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	(289,515)
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Governmental funds report capital outlay expenditures; however, they are capitalized in the statement of activities	349,647
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The change in the deferred outflow for IMRF is reported as an expense on the statement of activities	1,894,233
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The change in the deferred inflow for grants is reported as a revenue on the statement of activities	(3,111,080)
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The change in the deferred inflow is reported as an expense on the statement of activities for IMRF	4,788,100
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The change in the net pension asset/liability is reported as an expense on the statement of activities	(6,756,314)
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The loss on disposal of capital assets is reported on the statement of activities as an expense of the appropriate function while the governmental funds report only the proceeds from the sale	<u>(34,557)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 653,632</u></u>
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See accompanying notes to financial statements.

REACHING ACROSS ILLINOIS LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Reaching Across Illinois Library System (RAILS) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

RAILS is governed by a Board of Directors (the Board), the rules and regulations for library systems, and the regulations of the State Librarian related to state aid.

The accounting policies of RAILS conform to GAAP as applicable to governmental units. The following is a summary of the more significant policies.

a. Reporting Entity

The accompanying basic financial statements present RAILS alone and do not include any component units. RAILS has a board elected by their members, the power to self-govern, the authorization to expend funds, the responsibility to designate management, and the ability to prepare and modify the annual budget and issue debt. Therefore, RAILS is not included as a component unit of any other entity.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of RAILS. The effect of material interfund activity has been eliminated from these statements. Governmental activities are normally supported by grants and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment, or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and standard revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

REACHING ACROSS ILLINOIS LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Government-Wide and Fund Financial Statements (Continued)

RAILS reports the following major governmental funds:

The General Fund is RAILS' primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The Grant Fund, a major special revenue fund, exists to account for the various grants administered by RAILS. RAILS has elected to present this fund as a major fund.

The Capital Projects Fund, which accounts for future capital improvements.

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available and earned. 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. RAILS considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a fund liability is incurred.

Charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period.

In applying the susceptible to accrual concept to intergovernmental revenues (i.e., federal and state grants), the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to RAILS; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are generally revocable only for failure to comply with prescribed eligibility requirements, such as equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criterion.

REACHING ACROSS ILLINOIS LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

RAILS reports unearned revenue and unavailable revenue on its financial statements. Unavailable revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period, under the modified accrual basis of accounting. Unearned revenue arises when a revenue is measurable but not earned under the accrual basis of accounting. Unearned revenues also arise when resources are received by RAILS before it has a legal claim to them or prior to the provision of services, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when RAILS has a legal claim to the resources, the liability and deferred inflows of resource for unearned and unavailable revenue are removed from the financial statements and revenue is recognized.

d. Unearned/Unavailable Revenue

The General Fund reports unearned revenue in the amount of \$35,113 pertaining to E-Book for Illinois fiscal year 2020 membership fees invoiced in fiscal year 2019.

The General Fund reports unavailable revenue in the amount of \$3,217,500 pertaining to RAILS' per capita state grant that was not received during the 60-day availability period for revenue recognition.

The Grant Fund reports unearned revenue in the amount of \$169,982 pertaining to the portion of the L-2 Grant that will be expended in fiscal 2020.

e. Cash and Investments

RAILS considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

REACHING ACROSS ILLINOIS LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Prepaid Items/Expenses

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid items/expenses.

g. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by RAILS as assets with an initial, individual cost in excess of \$5,000 and an estimated useful life in excess of one year.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-50
Computers	5
Office furniture and equipment	5-10
Vehicles	5-8

h. Vacation and Sick Leave

In the event of termination, an employee is reimbursed for earned vacation days. No more than five vacation days may be carried over from the prior year without the Executive Director's approval. No more than 90 sick leave days may be accrued for employee use and 240 sick leave days may be utilized for service credit with the Illinois Municipal Retirement Fund (IMRF) upon retirement.

Vested or accumulated vacation that was owed to retirees or terminated employees is reported as an expenditure and a fund liability of the governmental fund that paid it in the fund financial statements. Vested or accumulated vacation of governmental activities at the government-wide level was recorded as an expense and liability as the benefits accrue to employees.

REACHING ACROSS ILLINOIS LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Interfund Transactions

Interfund service transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund service transactions and reimbursements, are reported as transfers.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

j. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

k. Fund Balances/Net Position

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either not in spendable form or legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose, or externally imposed by outside entities. Committed fund balance is constrained by formal actions of RAILS’ Board, which is considered RAILS’ highest level of decision making authority. Formal actions include resolutions and ordinances approved by the Board. Assigned fund balance represents amounts constrained by RAILS’ intent to use them for a specific purpose.

REACHING ACROSS ILLINOIS LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Fund Balances/Net Position (Continued)

The authority to assign fund balance has been delegated to RAILS' Director of Finance through the approved fund balance policy of RAILS. Any residual fund balance in the General Fund is reported as unassigned. Any deficit balances in other funds are reported as unassigned.

RAILS' flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending, RAILS considers committed funds to be expended first followed by assigned and then unassigned funds.

RAILS has established fund balance reserve policies for its governmental funds. A fiscal year end target of 150% of annual budgeted expenditures for fiscal sustainability is included in unassigned fund balance for the General Fund.

In the government-wide financial statements, restricted net positions are legally restricted by outside parties for a specific purpose. The net pension liability of \$558,950 net of the deferred outflows in the amount of \$3,667,267 and deferred inflows of \$438,977, are reported as restricted. Net investment in capital assets is the book value of capital assets less any long-term debt outstanding that was issued to construct or acquire the capital assets.

l. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

RAILS categorizes the fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. RAILS does not report any investments subject to fair value reporting.

REACHING ACROSS ILLINOIS LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

RAILS maintains a cash and investment pool that is available for use by the General Fund, Capital Projects Fund, and the Grant Fund. Each fund's portion of this pool is displayed on the financial statements as "cash and investments."

Permitted Deposits and Investments - Statutes and RAILS' investment policy authorize RAILS to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States Government or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, and The Illinois Funds.

The Illinois Public Treasurers' Investment Pool, known as The Illinois Funds, operates as a qualified external investment pool in accordance with the criteria established in GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and thus, reports all investments at amortized cost rather than fair value. The investment in The Illinois Funds by participants is also reported at amortized cost. The Illinois Funds does not have any limitations or restrictions on participant withdrawals. The Illinois Treasurer's Office issues a separate financial report for The Illinois Funds which may be obtained by contacting the Administrative Office at Illinois Business Center, 400 West Monroe Street, Suite 401, Springfield, Illinois 62704.

a. Deposits

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank's failure, RAILS' deposits may not be returned to it. To guard against custodial credit risk for deposits with financial institutions, RAILS' investment policy requires that deposits with financial institutions in excess of FDIC be collateralized with collateral in an amount equal to the uninsured deposits with the collateral held by a third party acting as the agent of RAILS.

b. Investments

In accordance with its investment policy, RAILS limits its exposure to interest rate risk to provide liquidity for operating funds and maximizing yields for funds not needed within a one-year period. The portfolio that is invested with The Illinois Funds, which is completely liquid, is not subject to interest rate risk.

RAILS limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in The Illinois Funds, insured certificates of deposit, and collateralized money market funds.

REACHING ACROSS ILLINOIS LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

b. Investments (Continued)

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, RAILS will not be able to recover the value of its investments that are in the possession of an outside party. To limit its exposure, RAILS' investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as RAILS' agent separate from where the investment was purchased. Illinois Funds are not subject to custodial credit risk.

Concentration of credit risk is the risk that RAILS has a high percentage of their investments invested in one type of investment. RAILS' investment policy requires diversification of investment to avoid unreasonable risk but has no set percentage limits.

The Illinois Funds is "AAAm" rated by Standard & Poor's.

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balances July 1	Increases	Decreases	Balances June 30
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 107,000	\$ -	\$ -	\$ 107,000
Total capital assets not being depreciated	107,000	-	-	107,000
Capital assets being depreciated				
Building and improvements	3,163,781	51,075	-	3,214,856
Furniture, fixtures, equipment, and computers	1,066,127	7,540	89,719	983,948
Vehicles	1,182,090	291,032	208,512	1,264,610
Total capital assets being depreciated	5,411,998	349,647	298,231	5,463,414
Less accumulated depreciation for				
Building improvements	1,523,909	112,642	-	1,636,551
Furniture, fixtures, equipment, and computers	941,820	60,296	89,719	912,397
Vehicles	934,496	116,577	173,955	877,118
Total accumulated depreciation	3,400,225	289,515	263,674	3,426,066
Total capital assets being depreciated, net	2,011,773	60,132	34,557	2,037,348
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	\$ 2,118,773	\$ 60,132	\$ 34,557	\$ 2,144,348

REACHING ACROSS ILLINOIS LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS (Continued)

3. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions of the primary government as follows:

GOVERNMENTAL ACTIVITIES	
Administration	\$ 192,480
Delivery	<u>97,035</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 289,515</u>

4. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2019:

	Balance July 1	Additions	Reductions	Balance June 30	Current Portion
GOVERNMENTAL ACTIVITIES					
Net pension liability	\$ (6,197,364)	\$ 6,756,314	\$ -	\$ 558,950	\$ -
Compensated absences	138,293	48,004	25,455	160,842	16,084
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ (6,059,071)</u>	<u>\$ 6,804,318</u>	<u>\$ 25,455</u>	<u>\$ 719,792</u>	<u>\$ 16,084</u>

Compensated absences are liquidated by the General Fund.

5. DEFINED BENEFIT PENSION PLAN

RAILS' contributes to a defined benefit pension plan: the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system. The benefits, benefit levels, employee contributions, and employer contributions for all plans are governed by Illinois Compiled Statutes (ILCS) and can only be amended by the Illinois General Assembly. IMRF's plan does not issue a separate report for the plan. However, IMRF does issue a publicly available report that includes financial statements and supplementary information for the plan as a whole, but not for individual employers. That report can be obtained from IMRF, 2211 York Road, Suite 500, Oak Brook, Illinois 60523 or at www.imrf.org.

Plan Descriptions

Illinois Municipal Retirement Fund

Plan Administration

All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members.

REACHING ACROSS ILLINOIS LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS (Continued)

5. DEFINED BENEFIT PENSION PLAN (Continued)

Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Plan Administration (Continued)

The plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable.

Plan Membership

At December 31, 2018, IMRF membership consisted of:

Inactive plan members	423
Inactive, nonretired members	168
Active plan members	<u>84</u>
TOTAL	<u><u>675</u></u>

Benefits Provided

IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter. The final rate of earnings is the highest total earnings during one consecutive 48 months within the last ten years of IMRF services divided by 48.

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 members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with ten years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter. The final rate of earnings is the highest total earnings during any consecutive 96 months within the last ten years of IMRF service, divided by 96.

REACHING ACROSS ILLINOIS LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS (Continued)

5. DEFINED BENEFIT PENSION PLAN (Continued)

Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Contributions

RAILS' employees participating in IMRF are required to contribute 4.50% of their annual eligible covered salary. The member rate is established by state statute. RAILS is required to contribute at an actuarially determined rate. The employer contribution rates for fiscal year 2019, 2018, and 2017 were 0.91%, 4.69%, and 2.38%, respectively of covered payroll. RAILS contribution requirements are established and may be amended by the IMRF Board of Trustees.

Actuarial Assumptions

RAILS' net pension liability was measured as of December 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of the same date using the following actuarial methods and assumptions.

Actuarial valuation date	December 31, 2018
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.50%
Salary increases	3.39% to 14.25%
Investment rate of return	7.25%
Cost of living adjustments	3.00%
Asset valuation method	Market value

For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for nondisabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

REACHING ACROSS ILLINOIS LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS (Continued)

5. DEFINED BENEFIT PENSION PLAN (Continued)

Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.25% for 2018 and 7.50% for 2017. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that RAILS' contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the IMRF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability (Asset)
BALANCES AT JANUARY 1, 2018	\$ 47,620,935	\$ 53,818,299	\$ (6,197,364)
Changes for the period			
Service cost	443,531	-	443,531
Interest	3,450,789	-	3,450,789
Difference between expected and actual experience	(1,437,105)	-	(1,437,105)
Changes in assumptions	959,742	-	959,742
Employer contributions	-	197,073	(197,073)
Employee contributions	-	203,517	(203,517)
Net investment income	-	(3,636,504)	3,636,504
Benefit payments and refunds	(3,664,354)	(3,664,354)	-
Other (net transfer)	-	(103,443)	103,443
Net changes	(247,397)	(7,003,711)	(6,756,314)
BALANCES AT DECEMBER 31, 2018	\$ 47,373,538	\$ 46,814,588	\$ 558,950

Changes in assumptions related to the discount rate were made prior to the measurement date

REACHING ACROSS ILLINOIS LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS (Continued)

5. DEFINED BENEFIT PENSION PLAN (Continued)

Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2019, RAILS recognized pension expense of \$183,741. At June 30, 2019, RAILS reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 438,977
Changes in assumption	293,162	-
Net difference between projected and actual earnings on pension plan investments	3,356,201	-
Contributions made subsequent to the measurement date	17,904	-
TOTAL	\$ 3,667,267	\$ 438,977

\$17,904 reported as deferred outflows of resources related to pensions resulting from RAILS' contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the reporting year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to IMRF will be recognized in pension expense as follows:

Year Ending June 30,	
2020	\$ 949,713
2021	396,451
2022	354,900
2023	1,509,322
Thereafter	-
TOTAL	\$ 3,210,386

REACHING ACROSS ILLINOIS LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS (Continued)

5. DEFINED BENEFIT PENSION PLAN (Continued)

Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability (asset) to changes in the discount rate. The table below presents the net pension liability (asset) of RAILS' calculated using the discount rate of 7.25% as well as what RAILS' net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability (asset)	\$ 4,881,701	\$ 558,950	\$ (3,059,576)

6. OTHER POSTEMPLOYMENT BENEFITS

a. Plan Description

In addition to providing the pension benefits described, RAILS provides postemployment health care benefits (OPEB) for retired employees through a single-employer defined benefit plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by RAILS and can be amended by RAILS through legislation, except for the implicit subsidy which is governed by the State Legislature and ILCS. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The System's total OPEB liability as of December 31, 2018 is immaterial and, therefore, not recorded by RAILS.

b. Benefits Provided

RAILS provides continued health insurance coverage at the active employer rate paid by the former employees to all eligible former employees in accordance with ILCS, which creates an implicit subsidy of retiree health insurance. To be eligible for benefits, an employee must qualify for retirement under IMRF. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the retiree can continue to participate, at a much higher rate, but can purchase a Medicare supplement plan externally.

REACHING ACROSS ILLINOIS LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS (Continued)

6. OTHER POSTEMPLOYMENT BENEFITS (Continued)

c. Membership

At June 30, 2019, membership consisted of:

Retirees and beneficiaries currently receiving benefits	2
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	<u>107</u>
 TOTAL	 <u><u>109</u></u>
 Participating employers	 <u><u>1</u></u>

7. LEASE COMMITMENT AND TOTAL RENT EXPENSE

RAILS entered into an operating lease for its 4607 Colt Road, Rockford, Illinois facility. The initial term of the lease was from June 16, 2012 to May 31, 2014. RAILS, during the fiscal year 2014, exercised the option to extend the terms of the lease for additional terms. The lease requires monthly lease payments of \$1,604 for the first year and \$1,654, \$1,703, \$1,750, and \$1,929 for the second, third, fourth, and fifth years, respectively. Effective June 1, 2018, RAILS leases the space on a month-to-month basis.

In May 2013, RAILS entered into a lease agreement to lease various copier and printing equipment. The agreement commenced May 15, 2013 and terminated May 15, 2018. The monthly lease payment is \$1,340, beginning in July 2013. In April 2014, RAILS entered into a second lease agreement to lease additional copier and printing equipment. In September 2018, RAILS entered into a lease agreement to lease various copiers and printing equipment. The agreement commenced September 30, 2018 and terminated September 30, 2023. The monthly lease payment is \$661 beginning in September 2018.

RAILS entered into an operating lease for its 1000 W. Crossroads Parkway, Bolingbrook, Illinois facility. The initial term of the lease was from June 1, 2013 to May 31, 2015. The lease included options to extend the terms of the lease for two additional two-year terms plus an option to lease additional space. During fiscal year 2014, RAILS exercised the option to lease additional space, and in doing so, also automatically exercised the option to extend the terms of the lease for the first additional two-year term. The lease requires monthly lease payments of \$7,846 beginning in September 2013.

REACHING ACROSS ILLINOIS LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS (Continued)

7. LEASE COMMITMENT AND TOTAL RENT EXPENSE (Continued)

RAILS entered into two operating leases for a portion of its former East Peoria facility, which has been sold. The term of both leases is from March 14, 2014 to April 30, 2019. The leases require monthly payments of \$5,520 and \$2,418 per month through the duration of the leases. Effective May 1, 2019, RAILS leases the space on a month-to-month basis. The leases also require RAILS to pay its portion of real estate taxes and common area maintenance.

Rent expense totaled \$254,069 for the year ended June 30, 2019. Future minimum lease payments as of June 30, 2019 are as follows:

Fiscal Year Ending June 30,	
2020	\$ 109,214
2021	102,749
2022	7,933
2023	7,933
2024	<u>1,322</u>
TOTAL	<u><u>\$ 229,151</u></u>

8. PRIOR PERIOD ADJUSTMENT

The beginning net position was adjusted by \$77,917 in order to remove the total OPEB liability.

REQUIRED SUPPLEMENTARY INFORMATION

REACHING ACROSS ILLINOIS LIBRARY SYSTEM

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND**

For the Year Ended June 30, 2019

	Original and Final Budget	Actual
REVENUES		
State grants		
Area and per capita	\$ 9,879,110	\$ 13,203,030
Fees for services and materials	1,049,878	1,039,392
Reimbursements	997,500	1,020,084
Investment income	219,200	335,569
Other revenues		
Rental income	500	500
Miscellaneous	9,500	5,838
Total revenues	<u>12,155,688</u>	<u>15,604,413</u>
EXPENDITURES		
Culture and recreation		
Personnel	5,249,537	5,062,066
Library materials	1,341,430	1,384,215
Buildings and grounds	579,290	490,762
Vehicle	489,780	475,276
Travel and continuing education	298,960	252,326
Public relations	19,500	25,460
Commercial insurance	17,200	20,002
Supplies, postage, and printing	176,275	139,131
Telephone and communications	137,310	133,874
Equipment rental, repair, and maintenance	132,003	119,041
Professional services	223,950	122,193
Contractual services	3,469,612	3,185,316
Professional association membership dues	9,150	4,931
Miscellaneous	6,950	4,506
Total expenditures	<u>12,150,947</u>	<u>11,419,099</u>
NET CHANGE IN FUND BALANCE	<u>\$ 4,741</u>	4,185,314
FUND BALANCE, JULY 1		<u>11,874,263</u>
FUND BALANCE, JUNE 30		<u><u>\$ 16,059,577</u></u>

(See independent auditor's report.)

REACHING ACROSS ILLINOIS LIBRARY SYSTEM

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GRANT FUND**

For the Year Ended June 30, 2019

	Original and Final Budget	Actual
REVENUES		
State grants		
System automation and technology	\$ 38,060	\$ 38,060
Other state grant	-	1,618
	<hr/>	<hr/>
Total revenues	38,060	39,678
	<hr/>	<hr/>
EXPENDITURES		
Culture and recreation		
Contractual services	38,060	39,678
	<hr/>	<hr/>
Total expenditures	38,060	39,678
	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	-
FUND BALANCE, JULY 1		<hr/> -
FUND BALANCE, JUNE 30		<u><u>\$ -</u></u>

(See independent auditor's report.)

REACHING ACROSS ILLINOIS LIBRARY SYSTEM

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND**

Last Five Fiscal Years

FISCAL YEAR ENDED JUNE 30,	2015* Restated	2016	2017	2018	2019
Actuarially determined contribution	\$ 396,960	\$ 184,718	\$ 177,366	\$ 162,310	\$ 109,760
Contributions in relation to the actuarially determined contribution	396,960	184,718	177,366	162,310	109,760
CONTRIBUTION DEFICIENCY (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 4,134,915	\$ 4,222,176	\$ 5,073,742	\$ 4,642,288	\$ 3,926,003
Contributions as a percentage of covered payroll	9.60%	4.37%	3.50%	3.50%	2.80%

Notes to Required Supplementary Information

*2015 was restated due to changes in the information from RAILS' actuary and auditor.

The information presented was determined as part of the actuarial valuations as of January 1 of the prior fiscal year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed, and the amortization period was 25 years; the asset valuation method was five-year smoothed market; and the significant actuarial assumptions were an investment rate of return at 7.50% annually, projected salary increases assumption of 3.75% to 14.50% compounded annually, and postretirement benefit increases of 3.50% compounded annually.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

REACHING ACROSS ILLINOIS LIBRARY SYSTEM

SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
ILLINOIS MUNICIPAL RETIREMENT FUND

Last Five Fiscal Years

MEASUREMENT DATE DECEMBER 31,	2014*	2015	2016**	2017***	2018
	Restated				
TOTAL PENSION LIABILITY					
Service cost	\$ 438,134	\$ 437,025	\$ 431,916	\$ 511,460	\$ 443,531
Interest	3,253,499	3,449,018	3,473,417	3,541,938	3,450,789
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	432,684	(94,014)	460,084	14,305	(1,437,105)
Changes of assumptions	1,843,383	-	-	(1,664,080)	959,742
Benefit payments, including refunds of member contributions	(3,269,672)	(3,450,775)	(3,477,540)	(3,505,605)	(3,664,354)
Net change in total pension liability	2,698,028	341,254	887,877	(1,101,982)	(247,397)
Total pension liability - beginning	44,795,758	47,493,786	47,835,040	48,722,917	47,620,935
TOTAL PENSION LIABILITY - ENDING	\$ 47,493,786	\$ 47,835,040	\$ 48,722,917	\$ 47,620,935	\$ 47,373,538
PLAN FIDUCIARY NET POSITION					
Contributions - employer	\$ 388,935	\$ 181,761	\$ 207,692	\$ 117,429	\$ 197,073
Contributions - member	192,707	218,671	205,937	244,158	203,517
Net investment income	3,009,579	248,475	3,351,477	9,294,244	(3,636,504)
Benefit payments, including refunds of member contributions	(3,269,672)	(3,450,775)	(3,477,540)	(3,505,605)	(3,664,354)
Administrative expense	217,278	446,094	247,764	(1,731,692)	(103,443)
Net change in plan fiduciary net position	538,827	(2,355,774)	535,330	4,418,534	(7,003,711)
Plan fiduciary net position - beginning	50,681,382	51,220,209	48,864,435	49,399,765	53,818,299
PLAN FIDUCIARY NET POSITION - ENDING	\$ 51,220,209	\$ 48,864,435	\$ 49,399,765	\$ 53,818,299	\$ 46,814,588
EMPLOYER'S NET PENSION LIABILITY (ASSET)	\$ (3,726,423)	\$ (1,029,395)	\$ (676,848)	\$ (6,197,364)	\$ 558,950
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.85%	102.15%	101.39%	113.01%	98.82%
Covered payroll	\$ 3,976,832	\$ 4,352,133	\$ 4,505,259	\$ 4,933,970	\$ 4,202,001
Employer's net pension liability (asset) as a percentage of covered payroll	(93.70%)	(23.65%)	(15.02%)	(125.61%)	13.30%

**There was a change in 2016 with respect to actuarial assumptions from the prior year to reflect revised expectations with respect to mortality rates and discount rates.

***There was a change in 2017 with respect to actuarial assumptions from the prior year to reflect revised expectations with respect to retirement, termination and disability rates, and discount rates.

***There was a change in 2018 with respect to actuarial assumptions from the prior year to reflect revised expectations with respect to the discount

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

REACHING ACROSS ILLINOIS LIBRARY SYSTEM

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

BUDGETS

Budgets are adopted on a basis consistent with GAAP. Annual budgets are adopted (at the fund level) for the major governmental funds. All annual budgets lapse at fiscal year end.

RAILS follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Director of Finance and Human Resources prepares and submits to the Board, as part of the annual area and per capita grant application, a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures and the means of financing them. Annual budgets are adopted for the governmental (general, grant, and capital project funds) on a basis consistent with GAAP. The legal level of budgetary control is at the fund level.
2. The proposed operating budget is adopted by the Board at a public meeting.
3. Any amendments to the budget must be adopted by the Board at a public meeting.
4. Budgeted amounts presented in the financial statements are those as originally adopted by the Board. There were no budget amendments during the fiscal year ended June 30, 2019.
5. The Grant Fund's actual expenditures exceeded the budget by \$1,618.

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

MAJOR GOVERNMENTAL FUNDS

REACHING ACROSS ILLINOIS LIBRARY SYSTEM

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND**

For the Year Ended June 30, 2019

	Culture and Recreation		LLSAP	
	Final Budget	Actual	Final Budget	Actual
REVENUES				
State grants				
Area and per capita	\$ 9,879,110	\$ 13,203,030	\$ -	\$ -
Fees for services and materials	347,000	336,512	147,303	147,303
Reimbursements	997,500	1,020,084	-	-
Investment income	219,200	335,569	-	-
Other revenues				
Miscellaneous	10,000	6,338	-	-
Total revenues	11,452,810	14,901,533	147,303	147,303
EXPENDITURES				
Expenditures				
Personnel	2,482,917	2,311,743	715,028	694,688
Library materials	1,341,430	1,384,215	-	-
Buildings and grounds	419,995	339,674	-	-
Vehicle	33,035	19,804	4,845	9,192
Travel and continuing education	268,215	236,213	22,875	10,437
Public relations	19,500	25,460	-	-
Commercial insurance	15,430	18,683	-	-
Supplies, postage, and printing	108,675	58,000	1,900	1,607
Telephone and communications	101,495	93,408	22,900	23,001
Equipment rental, repair, and maintenance	129,123	117,580	-	-
Professional services	198,450	121,054	-	292
Contractual services	1,077,085	830,863	1,187,527	1,189,033
Professional association membership dues	8,875	4,931	-	-
Miscellaneous	4,890	2,831	1,260	875
Total expenditures	6,209,115	5,564,459	1,956,335	1,929,125
NET CHANGE IN FUND BALANCES	\$ 5,243,695	\$ 9,337,074	\$ (1,809,032)	\$ (1,781,822)

FUND BALANCES, JULY 1

FUND BALANCES, JUNE 30

Delivery		Total	
Final Budget	Actual	Final Budget	Actual
\$ -	\$ -	\$ 9,879,110	\$ 13,203,030
555,575	555,577	1,049,878	1,039,392
-	-	997,500	1,020,084
-	-	219,200	335,569
-	-	10,000	6,338
555,575	555,577	12,155,688	15,604,413

2,051,592	2,055,635	5,249,537	5,062,066
-	-	1,341,430	1,384,215
159,295	151,088	579,290	490,762
451,900	446,280	489,780	475,276
7,870	5,676	298,960	252,326
-	-	19,500	25,460
1,770	1,319	17,200	20,002
65,700	79,524	176,275	139,131
12,915	17,465	137,310	133,874
2,880	1,461	132,003	119,041
25,500	847	223,950	122,193
1,205,000	1,165,420	3,469,612	3,185,316
275	-	9,150	4,931
800	800	6,950	4,506

3,985,497	3,925,515	12,150,947	11,419,099
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\$ (3,429,922)	\$ (3,369,938)	\$ 4,741	4,185,314
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11,874,263

\$ 16,059,577

(See independent auditor's report.)

SUPPLEMENTARY FINANCIAL INFORMATION

REACHING ACROSS ILLINOIS LIBRARY SYSTEM

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND**

For the Year Ended June 30, 2019

	Original and Final Budget	Actual
PERSONNEL		
Library professionals	\$ 1,240,855	\$ 1,136,644
Other professionals	1,232,181	1,176,385
Support services	1,620,556	1,636,156
Social Security taxes	311,411	285,797
Unemployment insurance	25,522	24,306
Workers' compensation	103,020	96,240
Retirement benefits	110,432	105,051
Health, dental, and life insurance	537,960	527,671
Other fringe benefits	44,600	17,013
Temporary help	8,000	50,874
Recruiting	15,000	5,929
	<hr/>	<hr/>
Total personnel	5,249,537	5,062,066
	<hr/>	<hr/>
LIBRARY MATERIALS		
Print materials	7,930	1,340
E-resources	1,333,500	1,382,875
	<hr/>	<hr/>
Total library materials	1,341,430	1,384,215
	<hr/>	<hr/>
BUILDINGS AND GROUNDS		
Rent/lease	288,680	254,070
Utilities	109,650	89,366
Property insurance	12,610	10,925
Repairs and maintenance	73,700	53,086
Custodial/janitorial service and supplies	51,500	55,061
Other buildings and grounds	43,150	28,254
	<hr/>	<hr/>
Total buildings and grounds	579,290	490,762
	<hr/>	<hr/>
VEHICLES		
Fuel	270,810	235,602
Repairs and maintenance	122,100	159,806
Vehicle insurance	86,120	72,368
Other vehicle expense	10,750	7,500
	<hr/>	<hr/>
Total vehicles	489,780	475,276
	<hr/>	<hr/>

(This schedule is continued on the following pages.)

REACHING ACROSS ILLINOIS LIBRARY SYSTEM

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)
GENERAL FUND

For the Year Ended June 30, 2019

	Original and Final Budget	Actual
TRAVEL AND CONTINUING EDUCATION		
In-state travel	\$ 40,525	\$ 46,503
Out-of-state travel	57,503	36,401
Registration and meeting fees	72,732	60,565
Conferences and continuing education meetings	128,200	108,857
	<hr/>	<hr/>
Total travel and continuing education	298,960	252,326
	<hr/>	<hr/>
PUBLIC RELATIONS	19,500	25,460
	<hr/>	<hr/>
COMMERCIAL INSURANCE		
Liability insurance	17,200	20,002
	<hr/>	<hr/>
SUPPLIES, POSTAGE, AND PRINTING		
Computers, software, and supplies	68,700	22,346
General office supplies and equipment	34,850	32,436
Postage	17,200	12,904
Library supplies	500	-
Delivery supplies	54,925	71,445
Other supplies	100	-
	<hr/>	<hr/>
Total supplies, postage, and printing	176,275	139,131
	<hr/>	<hr/>
TELEPHONE AND COMMUNICATIONS	137,310	133,874
	<hr/>	<hr/>
EQUIPMENT RENTAL, REPAIR, AND MAINTENANCE		
Equipment rental	30,580	17,337
Equipment repair and maintenance agreements	101,423	101,704
	<hr/>	<hr/>
Total equipment rental, repair, and maintenance	132,003	119,041
	<hr/>	<hr/>
PROFESSIONAL SERVICES		
Legal	50,950	24,856
Accounting	25,000	25,916
Consulting	110,000	40,661
Payroll service fee	38,000	30,760
	<hr/>	<hr/>
Total professional services	223,950	122,193
	<hr/>	<hr/>

(This schedule is continued on the following page.)

REACHING ACROSS ILLINOIS LIBRARY SYSTEM

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)
GENERAL FUND

For the Year Ended June 30, 2019

	Original and Final Budget	Actual
CONTRACTUAL SERVICES		
Information service costs	\$ 37,981	\$ 29,542
Contract agreements with systems, member libraries, other co-ops	1,855,567	1,569,991
Outside printing services	500	-
Other contractual services	1,575,564	1,585,783
	<hr/>	<hr/>
Total contractual services	3,469,612	3,185,316
	<hr/>	<hr/>
PROFESSIONAL ASSOCIATION		
MEMBERSHIP DUES	9,150	4,931
	<hr/>	<hr/>
MISCELLANEOUS	6,950	4,506
	<hr/>	<hr/>
TOTAL EXPENDITURES	\$ 12,150,947	\$ 11,419,099
	<hr/> <hr/>	<hr/> <hr/>

(See independent auditor's report.)

REACHING ACROSS ILLINOIS LIBRARY SYSTEM

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
LLSAP SUBFUND**

For the Year Ended June 30, 2019

	Original and Final Budget	Actual
PERSONNEL		
Library professionals	\$ 164,174	\$ 208,174
Other professionals	336,143	255,751
Support services	77,127	98,389
Social security taxes	44,172	41,254
Unemployment insurance	3,053	2,904
Workers' compensation	866	804
Retirement benefits	15,989	14,737
Health, dental, and life insurance	73,504	72,675
	<hr/>	<hr/>
Total personnel	715,028	694,688
VEHICLES		
Fuel	1,000	779
Repairs and maintenance	400	5,410
Vehicle insurance	3,445	3,003
	<hr/>	<hr/>
Total vehicles	4,845	9,192
TRAVEL AND CONTINUING EDUCATION		
In-state travel	5,880	732
Out-of-state travel	14,420	7,949
Registration and meeting fees	2,575	1,756
	<hr/>	<hr/>
Total travel and continuing education	22,875	10,437
SUPPLIES, POSTAGE, AND PRINTING		
Computers, software, and supplies	200	19
General office supplies and equipment	1,500	1,556
Postage	200	32
	<hr/>	<hr/>
Total supplies, postage, and printing	1,900	1,607
TELEPHONE AND COMMUNICATIONS		
	22,900	23,001
PROFESSIONAL ASSOCIATION MEMBERSHIP		
Professional Association Membership Dues	-	292
	<hr/>	<hr/>
Total Professional Association Membership	-	292
CONTRACTUAL SERVICES		
Information service costs	-	1,506
Other contractual services	1,187,527	1,187,527
	<hr/>	<hr/>
Total contractual services	1,187,527	1,189,033
MISCELLANEOUS		
	1,260	875
	<hr/>	<hr/>
TOTAL EXPENDITURES	\$ 1,956,335	\$ 1,929,125
	<hr/> <hr/>	<hr/> <hr/>

(See independent auditor's report.)

REACHING ACROSS ILLINOIS LIBRARY SYSTEM

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
DELIVERY SUBFUND

For the Year Ended June 30, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>
PERSONNEL		
Other professionals	\$ 258,580	\$ 266,395
Support services	1,250,514	1,220,798
Social security taxes	115,442	106,644
Unemployment insurance	14,219	13,793
Worker's compensation	98,615	92,377
Retirement benefits	40,203	39,356
Health, dental, and life insurance	266,019	266,049
Temporary help	8,000	50,223
Total personnel	<u>2,051,592</u>	<u>2,055,635</u>
BUILDINGS AND GROUNDS		
Rent/lease	146,580	132,782
Utilities	5,930	7,527
Property insurance	855	698
Repairs and maintenance	3,200	3,071
Custodial/janitorial service and supplies	500	5,348
Other buildings and grounds	2,230	1,662
Total buildings and grounds	<u>159,295</u>	<u>151,088</u>
VEHICLES		
Fuel	260,800	231,021
Repairs and maintenance	115,400	150,247
Vehicle insurance	65,450	58,012
Other vehicles expenses	10,250	7,000
Total vehicles	<u>451,900</u>	<u>446,280</u>
TRAVEL AND CONTINUING EDUCATION		
In-state travel	3,170	4,509
Registration and meeting fees	4,700	1,167
Total travel and continuing education	<u>7,870</u>	<u>5,676</u>

(This schedule is continued on the following pages.)

REACHING ACROSS ILLINOIS LIBRARY SYSTEM

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)
DELIVERY SUBFUND

For the Year Ended June 30, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>
COMMERCIAL INSURANCE		
Liability insurance	\$ 1,770	\$ 1,319
SUPPLIES, POSTAGE, AND PRINTING		
General office supplies and equipment	1,450	1,109
Postage	9,325	6,970
Delivery supplies	54,925	71,445
Total supplies, postage, and printing	65,700	79,524
TELEPHONE AND COMMUNICATIONS	12,915	17,465
EQUIPMENT RENTAL, REPAIR, AND MAINTENANCE		
Equipment rental	2,130	1,461
Equipment repair and maintenance agreements	750	-
Total equipment rental, repair, and maintenance	2,880	1,461
PROFESSIONAL SERVICES		
Legal	500	280
Consulting	25,000	567
Total professional services	25,500	847
CONTRACTUAL SERVICES		
Other contractual services	1,205,000	1,165,420
Total contractual services	1,205,000	1,165,420
PROFESSIONAL ASSOCIATION AND MEMBERSHIP DUES	275	-
MISCELLANEOUS	800	800
TOTAL EXPENDITURES	<u>\$ 3,985,497</u>	<u>\$ 3,925,515</u>

(See independent auditor's report.)

REACHING ACROSS ILLINOIS LIBRARY SYSTEM

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND**

For the Year Ended June 30, 2019

	Original and Final Budget	Actual
REVENUES		
None	\$ -	\$ -
EXPENDITURES		
Capital outlay		
Equipment	12,000	7,540
Building and improvements	270,000	51,075
Vehicles	250,000	291,032
	<hr/>	<hr/>
Total expenditures	532,000	349,647
	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	\$ (532,000)	(349,647)
FUND BALANCE, JULY 1		<hr/> 2,976,406
FUND BALANCE, JUNE 30		<hr/> \$ 2,626,759 <hr/>

(See independent auditor's report.)



REACHING ACROSS ILLINOIS LIBRARY SYSTEM

SINGLE AUDIT REPORT

For the Year Ended June 30, 2019

The background of the lower half of the cover features a grayscale photograph of a library interior, showing rows of bookshelves and a walkway. Overlaid on this image is a complex, semi-transparent geometric pattern of overlapping triangles and lines, creating a modern, architectural aesthetic.

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REACHING ACROSS ILLINOIS LIBRARY SYSTEM
TABLE OF CONTENTS

	<u>Page(s)</u>
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 <i>Government Auditing Standards</i>	1-2
Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.....	3-5
Schedule of Expenditures of Federal Awards.....	6
Schedule of Findings and Questioned Costs.....	7-8

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**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**

Members of the Board of Directors
Reaching Across Illinois 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, each major fund, and the aggregate remaining fund information of Reaching Across Illinois Library System (RAILS), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise RAILS' basic financial statements, and have issued our report thereon dated September 17, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Reaching Across Illinois Library System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Reaching Across Illinois Library System's internal control. Accordingly, we do not express an opinion on the effectiveness of RAILS' 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sikich LLP

Naperville, Illinois
September 17, 2019

1415 West Diehl Road, Suite 400
Naperville, IL 60563
630.566.8400

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL
OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE**

Members of the Board of Directors
Reaching Across Illinois Library System

Report on Compliance for Each Major Federal Program

We have audited the Reaching Across Illinois Library System (RAILS) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2019. RAILS' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Reaching Across Illinois 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, 2019.

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining information of RAILS as of and for the year ended June 30, 2019 and the related notes to financial statements, which collectively comprise RAILS' basic financial statements. We issued our report thereon dated September 17, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the

Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Sikich LLP

Naperville, Illinois
September 17, 2019

REACHING ACROSS ILLINOIS LIBRARY SYSTEM

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2019

Federal Grantor	Pass-Through Grantor	Grant Name	Federal CFDA#	Expenditures
National Endowment for the Humanities	Illinois State Library	Grants to States	45.310	<u>\$ 1,936,144</u>
TOTAL ALL FEDERAL AWARDS				<u><u>\$ 1,936,144</u></u>

Notes to Schedule of Expenditures of Federal Awards

Note A The accompanying schedule of expenditures of federal awards is a summary of the activity of RAILS' federal award programs presented on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when the qualifying expenditure has been incurred and expenditures have been recognized when the fund liability has been incurred.

Note B RAILS did not have any non-cash federal assistance or federal insurance in effect. RAILS did not provide any federal funds to any subrecipients and they did not elect the 10% de minimus indirect cost rate. RAILS did not have any outstanding federal loan with continuing compliance requirements.

REACHING ACROSS ILLINOIS LIBRARY SYSTEM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *unmodified*

Internal control over financial reporting:
Material weakness(es) identified? yes no
Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal Control over major federal programs:
Material weakness(es) identified? yes no
Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance
for major federal programs: *unmodified*

Any audit findings disclosed that are required
to be reported in accordance with
2 CFR 200.516(a)? yes no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
45.310	Grants to States

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes no

REACHING ACROSS ILLINOIS LIBRARY SYSTEM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2019

Section II - Financial Statement Findings

None.

Section III - Federal Awards Findings and Questioned Costs

None.

Section IV - Prior Year Findings

None