



REACHING ACROSS ILLINOIS LIBRARY SYSTEM

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

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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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, 2018, 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, 2018, 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.

Change in Accounting Principle

RAILS adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which established standards for measuring and recognizing liabilities, deferred inflows and outflows of resources and expenses; and modified certain disclosures in the notes to financial statements and the required supplementary information as discussed in Note 8 to the basic financial statements. Our opinion is not modified with respect to this matter.

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 19, 2018 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 18, 2018

**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, 2018. These activities represent RAILS', which formed on July 1, 2011 as a merger of five previously existing library systems, seventh year of operations. Comparative data to RAILS' prior year of operations, ended June 30, 2017 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 their Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

Financial Highlights

- For fiscal year 2018, the RAILS Area and Per Capita (APC) Grant allocation was restored to the base fiscal year 2015 amount of \$9,879,111 following the prior two fiscal years in which the allocation was reduced to \$5,842,358. During fiscal year 2018, RAILS received \$7,512,651 of APC payments, which consisted of fiscal year 2018 award payments totaling \$3,550,530 and, in February 2018, the remaining amount (\$3,962,121) due from the fiscal year 2017 allocation.
- Assets exceeded liabilities by \$25,825,133 (net position) at the close of the fiscal year. Of this amount, \$2,743,321 is restricted for the net pension asset of \$6,197,364 and deferred outflows of \$1,773,034, related to contributions made after the measurement date for IMRF, partially offset by deferred inflows of \$5,227,077, primarily related to the net difference between projected and actual earnings on pension plan investments. The investment in capital assets, net of any debt used to acquire those assets, is \$2,118,773. The remaining balance of \$20,963,039 is unrestricted and available to fund future operations. The increase in total net position for RAILS is \$325,496, primarily from the increase in the net pension asset.
- Total governmental funds reported an end of the year fund balance of \$14,850,669, a decrease of \$1,862,142 from the prior year-end funds balance. Cash and investments were \$14,924,831, a decrease of \$1,495,556 from the prior year-end funds balances. The General Fund balance of \$11,874,263 would be an amount sufficient to fund approximately 12 months of General Fund expenditures. In addition, RAILS has a \$3.00 million balance in its Capital Projects fund that could be reassigned, if necessary, to fund operations.
- Governmental funds reported a combined total of \$10,212,532 in revenues and \$12,074,674 in expenditures. APC revenues, RAILS' primary source of revenues, were \$7,512,651 of which \$3,962,121 pertained to the fiscal year 2017 award. An additional \$6,328,580 was awarded but not received, and therefore is classified as deferred inflows of resources. RAILS anticipates receipt of this payment in fiscal year 2019.
- The General Fund's total revenues of \$10,176,452 were below the final budget by \$2,274,824, primarily due to a \$2,366,459 shortfall in APC revenues, due to not receiving a major portion of the fiscal year 2018 award, as noted above, partially offset by the receipt of \$3,962,121 of APC grant revenues awarded for fiscal year 2017.

- Total General Fund expenditures of \$11,362,743 were below the final budget by \$777,400 due primarily to below budget Personnel (\$522,896) expenditures along with lower expenditures in several other categories.
- RAILS completed the second 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 fund) 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 specifically relating to public, academic, school and special libraries; 2) the administration of the Talking Books program, which was discontinued during fiscal year 2018; 3) Delivery; 4) the administration of the eRead Illinois program; 5) RAILS' group purchases and; 6) LLSAP (Local Library System Automation Program) support. LLSAPs are shared online catalog provider entities (MAGIC, PrairieCat, RSA NFP and SWAN) that RAILS helps support. MAGIC dissolved as of April 30, 2018, and most of its former members joined SWAN. 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 2018 and 2017, 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 2017.

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. The fees charged for these services partially reimburse RAILS for the expenditures incurred.

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 10-27 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 28-33 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 34-39 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' sixth year of operations, fiscal year 2017) is shown. The following table reflects the condensed Statement of Net Position as of June 30, 2018:

**Table 1
Governmental Activities**

	2018	2017
Current and other assets	\$ 27,776,587	\$ 21,857,632
Capital assets	2,118,773	1,736,646
Deferred outflows, IMRF	1,773,034	2,667,457
Total Assets & Def. Outflows	31,668,394	26,261,735
Long-term liabilities	166,633	186,297
Other liabilities	413,803	498,949
Deferred inflows, IMRF/OPEB	5,262,825	-
Total Liabilities	5,843,261	685,246
Invested in capital assets	2,118,773	1,736,646
Restricted	2,743,321	737,184
Unrestricted	20,963,039	23,102,659
Total Net Position	\$ 25,825,133	\$ 25,576,489

The governmental activities end-of-year total net position was \$25,825,133. Current and other assets primarily consisted of cash and investments (\$14.9 million), due from other governments (\$6.3 million), the net pension asset (\$6.2 million) and prepaid expenses (\$.2 million). Long-term liabilities were the liability for compensated absences and OPEB. Other liabilities consisted primarily of accounts payable (\$.3 million) and accrued payroll (\$.1 million). Deferred inflows, IMRF and OPEB arose in fiscal year 2018 primarily from a large increase in the net pension asset (\$5.5 million), most of which inflows are deferred to future years. The amounts invested in capital assets increased \$.4 million, due primarily to renovation expenditures made on the Burr Ridge facility.

Current and other assets increased \$5.9 million from the prior year-end amount. This was due primarily to an increase in the net pension asset (\$5.5 million), mainly from favorable investment experience, and a \$2.4 million increase in due from other governments, as a larger amount of the APC award was not received as of the end of the fiscal year, partially offset by a decrease in cash and investments (\$1.5 million). Cash and investments declined primarily from an excess of expenditures over revenues within the General and Capital Projects Funds of \$1.2 million and \$0.7 million, respectively.

The following table summarizes the government-wide statement of changes in net position for the years ended June 30, 2018 and June 30, 2017:

Table 2
Governmental Activities

	2018	2017
REVENUES		
Program Revenues:		
Charges for Services	\$ 2,464,441	\$ 2,764,364
Operating Grants	9,915,191	5,878,438
Capital Grants	-	-
Total Program Revenues:	12,379,632	8,642,802
Investment Income	181,635	84,741
Miscellaneous	17,725	45,029
Total Revenues	12,578,992	8,772,572
EXPENSES		
Administration	4,564,534	5,547,854
Talking Books	104,088	594,468
eRead Illinois	416,236	374,107
MARC of Quality	36,080	36,080
Group Purchases	957,917	994,459
Delivery	3,871,549	3,867,552
LLSAP	2,303,092	2,354,648
Total Expenses	12,253,496	13,769,168
Increase (Decrease) in net position before contributions and transfers	325,496	(4,996,596)
Prior Period Adjustment	(76,852)	
Beginning Net Position	25,576,489	30,573,085
Total Net Position	\$ 25,852,133	\$ 25,576,489

RAILS' total revenues for fiscal year 2018 were \$12,578,992, an increase of \$3,806,420 from the prior year, primarily due to a \$4,036,753 increase in operating grants and a \$96,894 increase in investment income, partially offset by a \$299,923 decrease in charges for services. Operating grants increased due to an increase in the APC Grant allocation from the State, as the State for fiscal year 2018 adopted a budget, following two years of not having a budget. In those years, fiscal years 2017 and 2016, the State reduced each year's APC Grant allocation by over \$4.1 million. Investment income more than doubled the prior year due to higher interest rates on certificates of deposit and money market investments. Charges for Services decreased due primarily to a decrease in charges for administrative services as a lease agreement for the Rockford Morsay facility, which produced rental income and expenditures, terminated on June 30, 2017.

RAILS' fiscal year 2018 expenses totaled \$12,253,496, a decrease of \$1,515,672 from fiscal year 2017 expenses primarily from decreases in Administration (\$983,320) and Talking Books (\$490,380) expenses. LLSAP expenses decreased primarily from reduced personnel expenses related to MAGIC, which dissolved on April 30, 2018. Group Purchase expenses, which are reimbursed by the participating members, decreased slightly.

Financial Analysis of RAILS' Funds

For the fiscal year ended June 30, 2018, the governmental funds had a combined fund balance of \$14,850,669 of which \$11,874,263 was within the General Fund, which is the main operating fund of RAILS, and \$2,976,406 within the Capital Projects Fund. Revenues of \$10,212,452, consisting entirely of operating revenues, were \$2,274,824 below the final budget primarily from a \$2,366,459 shortfall of APC Grant revenues, partially offset by increased investment income.

Expenditures of \$12,074,674 were \$1,216,552 below budget due primarily to lower General Fund (\$777,400) and Capital Projects Fund (\$439,149) expenditures.

General Fund expenditures were below budget primarily from lower expenditures for Personnel (\$522,896), Contractual Services (\$123,988), Buildings and Grounds (\$47,043), Travel and Continuing Education (\$59,003) and Professional Services (\$49,802), partially offset by higher Library Materials (\$52,140, primarily increased e-Read Illinois content expenditures) and Vehicle expenditures (\$45,044).

Personnel expenditures were below budget primarily due to savings from not replacing one vacated administrative position and delaying replacements of several other open positions. Salary expenditures, as a result, were \$294,894 below budget. In addition, Health, Dental and Life Insurance expenditures were \$48,997 below budget as health insurance premiums for calendar year 2018 were unchanged from 2017 and Retirement benefits were \$69,501 below budget due primarily to a lower than budgeted employer contribution rate.

Contractual Services were below budget mainly because RAILS provided no grants in fiscal year 2018 to support new LLSAP memberships. This activity will resume in fiscal year 2019. Information Service expenditures were also \$22,581 below budget.

Capital outlays were \$439,149 below budget. Buildings and Improvements expenditures were \$251,781 below budget as \$172,427 of the budgeted expenditures were spent instead in fiscal year 2017, as a Burr Ridge renovation project started earlier than initially anticipated. Total spending for this project was approximately \$80,000 below the full amount budgeted. In addition, capital outlays for vehicles were \$130,368 below budget as only three of seven vehicles ordered were received by the closing of the fiscal year.

The following table summarizes General Fund actual and budget net changes in fund balance for the years ended June 30, 2018 and June 30, 2017:

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

	Fiscal Year 2018		Fiscal Year 2017	
	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues:				
State Grants	\$ 9,879,110	\$ 7,512,651	\$ 5,842,358	\$ 1,880,238
Other	2,572,166	2,663,801	2,585,041	2,894,134
Total revenues	12,451,276	10,176,452	8,427,399	4,774,372
Expenditures and Transfers:				
Expenditures - Current	12,140,143	11,362,743	12,393,026	12,283,368
Expenditures - Capital outlay	-	-	-	-
Total expenditures	12,140,143	11,362,739	12,393,026	12,283,368
Excess (Deficit) of Revenues over Expenditures	311,133	(1,186,291)	(3,965,627)	(7,508,996)
Other Financing Sources	-	-	-	-
Prior Period Adjustment	-	-	-	-
Net Change in Fund Balance	<u>\$ 311,133</u>	<u>\$ (1,186,291)</u>	<u>\$ (3,965,627)</u>	<u>\$ (7,508,755)</u>

During fiscal year 2018, there were no amendments to the budget. The RAILS' board of directors, for both fiscal years 2018 and 2017, directed that RAILS continue its planned activities and fund any operating deficit by using its reserves.

There were no fiscal year 2018 revenues from other financing sources.

Capital Assets

At the end of fiscal year 2018, RAILS Governmental activities had net fixed assets of approximately \$2.1 million, compared to net fixed assets of approximately \$1.7 million at the end of fiscal year 2017. Of this amount, approximately \$1.6 million was infrastructure (land and buildings and improvements), vehicles were \$.3 million and computers and equipment approximated \$.1 million. The increase in net fixed assets was primarily due to building and improvement expenditures of \$0.6 million to renovate the Burr Ridge facility, partially offset by depreciation exceeding other capital additions. 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 more than 1,300 public, private, university, and school library members, representing more than 3,000 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, payments from the State of Illinois 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, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 14,924,831
Receivables (net of allowance where applicable)	
Accounts	108,020
Other	1,229
Due from other governments	6,328,580
Prepaid expenses	216,563
Net pension asset	6,197,364
Capital assets, not being depreciated	107,000
Capital assets (net of accumulated depreciation)	<u>2,011,773</u>
Total assets	29,895,360
DEFERRED OUTFLOWS OF RESOURCES	
IMRF pension related items	<u>1,773,034</u>
Total assets and deferred outflows of resources	<u>31,668,394</u>
LIABILITIES	
Accounts payable	219,671
Accrued liabilities	31,947
Accrued payroll	136,582
Unearned revenue	11,774
Noncurrent liabilities	
Due within one year	13,829
Due in more than one year	<u>166,633</u>
Total liabilities	580,436
DEFERRED INFLOWS OF RESOURCES	
OPEB related items	35,748
IMRF pension related items	<u>5,227,077</u>
Total liabilities and deferred inflows of resources	<u>5,843,261</u>
NET POSITION	
Net investment in capital assets	2,118,773
Restricted for pension items	2,743,321
Unrestricted	<u>20,963,039</u>
TOTAL NET POSITION	<u><u>\$ 25,825,133</u></u>

See accompanying notes to financial statements.

REACHING ACROSS ILLINOIS LIBRARY SYSTEM

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

	Program Revenues				Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS					
PRIMARY GOVERNMENT					
Governmental Activities					
Culture and recreation					
Administration	\$ 4,564,534	\$ 15,153	\$ 9,879,111	\$ -	\$ 5,329,730
Talking Books	104,088	-	-	-	(104,088)
MARC of Quality	36,080	-	36,080	-	-
eRead Illinois	416,236	321,227	-	-	(95,009)
Group purchases	957,917	950,612	-	-	(7,305)
Delivery	3,871,549	542,506	-	-	(3,329,043)
LLSAP support	2,303,092	634,943	-	-	(1,668,149)
TOTAL PRIMARY GOVERNMENT	\$ 12,253,496	\$ 2,464,441	\$ 9,915,191	\$ -	126,136
			General Revenues		
			Investment income		181,635
			Miscellaneous		17,725
			Total		199,360
			CHANGE IN NET POSITION		325,496
			NET POSITION, JULY 1		25,576,489
			Less prior period adjustment		(76,852)
			NET POSITION, JULY 1, RESTATED		25,499,637
			NET POSITION, JUNE 30		\$ 25,825,133

See accompanying notes to financial statements.

REACHING ACROSS ILLINOIS LIBRARY SYSTEM

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2018

	General	Grant	Capital Projects	Total Governmental Funds
ASSETS				
Cash and investments	\$ 11,948,425	\$ -	\$ 2,976,406	\$ 14,924,831
Accounts receivable				
Accounts	108,020	-	-	108,020
Other	1,229	-	-	1,229
Due from other governments	6,328,580	-	-	6,328,580
Prepaid items	216,563	-	-	216,563
TOTAL ASSETS	\$ 18,602,817	\$ -	\$ 2,976,406	\$ 21,579,223
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 219,671	\$ -	\$ -	\$ 219,671
Accrued liabilities	31,947	-	-	31,947
Accrued payroll	136,582	-	-	136,582
Unearned revenue	11,774	-	-	11,774
Total liabilities	399,974	-	-	399,974
DEFERRED INFLOWS OF RESOURCES				
Unavailable grant revenue	6,328,580	-	-	6,328,580
Total deferred inflows of resources	6,328,580	-	-	6,328,580
Total liabilities and deferred inflows of resources	6,728,554	-	-	6,728,554
FUND BALANCES				
Nonspendable - prepaid items	216,563	-	-	216,563
Assigned for special projects	-	-	2,976,406	2,976,406
Unassigned	11,657,700	-	-	11,657,700
Total fund balances	11,874,263	-	2,976,406	14,850,669
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 18,602,817	\$ -	\$ 2,976,406	\$ 21,579,223

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, 2018

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 14,850,669
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	2,118,773
Net pension assets are not current financial resources and, therefore, are not reported in the governmental funds	6,197,364
Deferred outflows of resources related to IMRF are not current financial resources and, therefore, are not reported in the governmental funds	1,773,034
Deferred inflows of resources related to the RAILS's participation in IMRF are not financial resources and, therefore, are not reported in the governmental funds	(5,227,077)
Deferred inflows of resources related to the RAILS's participation in OPEB are not financial resources and, therefore, are not reported in the governmental funds	(35,748)
Certain grant revenues are unavailable in the governmental funds, but is recorded as revenue in the governmental activities	6,328,580
Other postemployment benefit assets are not current financial resources and, therefore, are not reported in the governmental funds	(42,169)
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>(138,293)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 25,825,133</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, 2018

	General	Grant	Capital Projects	Total Governmental Funds
REVENUES				
State grants				
Area and per capita	\$ 7,512,651	\$ -	\$ -	\$ 7,512,651
System automation and technology	-	36,080	-	36,080
Fees for services and materials	1,513,829	-	-	1,513,829
Reimbursements	963,368	-	-	963,368
Investment income	181,635	-	-	181,635
Other revenues				
Rental income	500	-	-	500
Miscellaneous	4,444	-	-	4,444
Gifts	25	-	-	25
Total revenues	10,176,452	36,080	-	10,212,532
EXPENDITURES				
Culture and recreation				
Personnel	6,116,099	-	-	6,116,099
Library materials	1,371,070	-	-	1,371,070
Buildings and grounds	553,274	-	-	553,274
Vehicle	452,919	-	-	452,919
Travel and continuing education	270,100	-	-	270,100
Public relations	11,738	-	-	11,738
Commercial insurance	19,774	-	-	19,774
Supplies, postage, and printing	190,557	-	-	190,557
Telephone and communications	126,295	-	-	126,295
Equipment rental, repair, and maintenance	121,765	-	-	121,765
Professional services	178,698	-	-	178,698
Contractual services	1,934,753	36,080	-	1,970,833
Professional association membership dues	10,635	-	-	10,635
Miscellaneous	5,066	-	-	5,066
Capital outlay	-	-	675,851	675,851
Total expenditures	11,362,743	36,080	675,851	12,074,674
NET CHANGE IN FUND BALANCES	(1,186,291)	-	(675,851)	(1,862,142)
FUND BALANCES, JULY 1	13,060,554	-	3,652,257	16,712,811
FUND BALANCES, JUNE 30	\$ 11,874,263	\$ -	\$ 2,976,406	\$ 14,850,669

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, 2018

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (1,862,142)
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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	48,004
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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	(293,724)
--	-----------

Governmental funds report capital outlay expenditures; however, they are capitalized in the statement of activities	675,851
--	---------

The change in the deferred outflow for IMRF is reported as an expense on the statement of activities	(894,423)
---	-----------

The change in the deferred inflow for grants is reported as a revenue on the statement of activities	2,366,460
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The change in the deferred inflow is reported as an expense on the statement of activities for IMRF	(5,227,077)
--	-------------

The change in the deferred inflow is reported as an expense on the statement of activities for OPEB	(35,748)
--	----------

The change in the net pension asset is reported as an expense on the statement of activities	5,520,516
---	-----------

The change in total postemployment benefit liability is reported as an expense on the statement of activities	<u>27,779</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 325,496</u></u>
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See accompanying notes to financial statements.

REACHING ACROSS ILLINOIS LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 \$11,774 pertaining to E-Book for Illinois fiscal year 2019 membership fees invoiced in fiscal year 2018.

The General Fund reports unavailable revenue in the amount of \$6,328,580 pertaining to RAILS' per capita state grant that was not received during the 60-day availability period for revenue recognition.

e. Cash and Investments

Cash and Cash Equivalents

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. 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:

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

g. 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)

h. 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.

i. 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.

j. 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)

j. 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 asset of \$6,197,364 net of the deferred outflows for employer contributions in the amount of \$1,773,034 and deferred inflows of \$5,262,825, 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.

k. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 generally accepted accounting principles. 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 market 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, and 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's 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's 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's 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, 2018 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	2,567,562	596,219	-	3,163,781
Furniture, fixtures, equipment, and computers	1,066,127	-	-	1,066,127
Vehicles	1,161,121	79,632	58,663	1,182,090
Total capital assets being depreciated	4,794,810	675,851	58,663	5,411,998
Less accumulated depreciation for				
Building improvements	1,429,404	94,505	-	1,523,909
Furniture, fixtures, equipment, and computers	850,879	90,941	-	941,820
Vehicles	884,881	108,278	58,663	934,496
Total accumulated depreciation	3,165,164	293,724	58,663	3,400,225
Total capital assets being depreciated, net	1,629,646	382,127	-	2,011,773
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	\$ 1,736,646	\$ 382,127	\$ -	\$ 2,118,773

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	\$ 225,122
Delivery	<u>68,602</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 293,724</u>

4. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018:

	Balance July 1	Additions	Reductions	Balance June 30	Current Portion
GOVERNMENTAL ACTIVITIES					
Compensated absences	\$ 186,297	\$ -	\$ 48,004	\$ 138,293	\$ 13,829
Total OPEB liability	<u>-</u>	<u>42,169</u>	<u>-</u>	<u>42,169</u>	<u>-</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 186,297</u>	<u>\$ 42,169</u>	<u>\$ 48,004</u>	<u>\$ 180,462</u>	<u>\$ 13,829</u>

Compensated absences and OPEB 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, 2017, IMRF membership consisted of:

Inactive plan members	424
Inactive, nonretired members	159
Active plan members	<u>102</u>
 TOTAL	 <u><u>685</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 calendar year 2018 2017 and 2016 were 4.69%, 2.38% and 4.61% 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, 2017 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, 2017
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.50%
Salary increases	3.39% to 14.25%
Investment rate of return	7.50%
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 7.50%. 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, 2017	\$ 48,722,917	\$ 49,399,765	\$ (676,848)
Changes for the period			
Service cost	511,460	-	511,460
Interest	3,541,938	-	3,541,938
Difference between expected and actual experience	14,305	-	14,305
Changes in assumptions	(1,664,080)	-	(1,664,080)
Employer contributions	-	117,429	(117,429)
Employee contributions	-	244,158	(244,158)
Net investment income	-	9,294,244	(9,294,244)
Benefit payments and refunds	(3,505,605)	(3,505,605)	-
Other (net transfer)	-	(1,731,692)	1,731,692
Net changes	(1,101,982)	4,418,534	(5,520,516)
BALANCES AT DECEMBER 31, 2017	\$ 47,620,935	\$ 53,818,299	\$ (6,197,364)

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, 2018, RAILS recognized pension expense of \$763,294. At June 30, 2018, 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	\$ 5,239	\$ -
Changes in assumption	-	609,396
Net difference between projected and actual earnings on pension plan investments	1,662,578	4,617,681
Contributions made subsequent to the measurement date	105,217	-
TOTAL	\$ 1,773,034	\$ 5,227,077

\$105,217 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, 2019. 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,	
2019	\$ (878,176)
2020	(413,793)
2021	(1,112,870)
2022	(1,154,421)
Thereafter	-
TOTAL	\$ (3,559,260)

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 7.50% 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 (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability (asset)	\$ (1,695,516)	\$ (6,197,364)	\$ (9,990,833)

The price inflation assumption was changed from 2.75% to 2.50%, and the salary increase assumption was changed from 3.75% - 14.50% to 3.39% - 14.25% in 2017.

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 activity of the plan is reported in RAILS' governmental activities.

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, 2018, 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>

d. Funding Policy

RAILS has not created a irrevocable trust to fund OPEB benefits and is on a pay-as-you go system. Active employees do not contribute to the plan until retirement

e. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Measurement date	June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	3.13%
Salary increases	3.00%
Investment rate of return	0%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	For fiscal years on and after 2018, trend starts at 7.50%, and gradually decreases to an ultimate trend of 4.50% in 2038 and thereafter.

Mortality rates were based on the RP-2014 White Collar Mortality Table backed off to 2006 and projected generationally with Scale MP-2017.

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

6. OTHER POSTEMPLOYMENT BENEFITS (Continued)

f. Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

Since the plan is financed on a pay-as-you-go basis, the sponsor has selected a discount rate consistent with the 20-year general obligation bond index described above. The discount rate is 3.13% as of June 30, 2018 and was 2.71% as of June 30, 2017.

Sensitivity of the Employer's Total OPEB Liability to Changes in the Discount Rate

The following presents the RAILS' total OPEB liability, as well as what the RAILS' total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.13%) or 1 percentage point higher (4.13%) than the current discount rate:

	1% Decrease (2.13%)	Current Discount Rate (3.13%)	1% Increase (4.13%)
Total OPEB liability	\$ 45,911	\$ 42,169	\$ 38,708

Sensitivity of the Employer's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the RAILS' total OPEB liability, as well as what the RAILS' total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current discount rate.

	1% Decrease ^a (6.50%)	Current Healthcare Trend Rate (7.50%)	1% Increase ^b (8.50%)
Total OPEB liability	\$ 36,558	\$ 42,169	\$ 49,950

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

6. OTHER POSTEMPLOYMENT BENEFITS (Continued)

f. Single Discount Rate (Continued)

Sensitivity of the Employer's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates (Continued)

^aOne percentage point decrease in healthcare trend rates are 6.50% in 2018 decreasing to an ultimate rate of 3.50% in 2038.

^bOne percentage point increase in healthcare trend rates are 8.50% in 2018 decreasing to an ultimate rate of 5.50% in 2038.

g. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Changes in the Total OPEB Liability

	(a) - (b) Total OPEB Liability
BALANCES AT JUNE 30, 2017	<u>\$ 69,948</u>
Changes for the period	
Service cost	6,073
Interest	1,896
Difference between expected and actual experience	(29,342)
Changes in assumptions	(6,406)
Employer contributions	-
Employee contributions	33,302
Net investment income	-
Benefit payments and refunds	(33,302)
Administrative expense	<u>-</u>
Net changes	<u>(27,779)</u>
BALANCES AT JUNE 30, 2018	<u>\$ 42,169</u>

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

6. OTHER POSTEMPLOYMENT BENEFITS (Continued)

- g. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, RAILS recognized OPEB expense of \$7,969. At June 30, 2018, RAILS reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ (29,342)
Changes in assumptions	<u>(6,406)</u>
Total	\$ (35,748)

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

<u>Year Ended June 30,</u>	
2019	\$ (2,326)
2020	(2,326)
2021	(2,326)
2022	(2,326)
2023	(2,326)
Thereafter	<u>(24,118)</u>
TOTAL	<u>\$ (35,748)</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.

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

7. LEASE COMMITMENT AND TOTAL RENT EXPENSE (Continued)

In May 2013, RAILS entered into a lease agreement to lease various copier and printing equipment. The agreement commenced May 15, 2013 and terminates 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. The agreement commenced April 28, 2014 and terminated June 26, 2018. The monthly lease payment was \$201 beginning in May 2014.

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.

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. The leases also require RAILS to pay its portion of real estate taxes and common area maintenance.

Rent expense totaled \$246,941 for the year ended June 30, 2018. Future minimum lease payments as of June 30, 2018 are as follows:

Fiscal Year Ending June 30,	
2019	\$ 157,750
2020	<u>-</u>
TOTAL	<u><u>\$ 157,750</u></u>

8. PRIOR PERIOD ADJUSTMENT

The beginning net position was adjusted by \$76,852 in order to implement GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The beginning balance for the total OPEB asset of \$(6,904) was eliminated and the beginning total OPEB liability of \$69,948 was recorded.

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, 2018

	Original and Final Budget	Actual
REVENUES		
State grants		
Area and per capita	\$ 9,879,110	\$ 7,512,651
Fees for services and materials	1,516,700	1,513,829
Reimbursements	980,000	963,368
Investment income	65,466	181,635
Other revenues		
Rental income	500	500
Miscellaneous	9,500	4,444
Gifts	-	25
	<hr/>	<hr/>
Total revenues	12,451,276	10,176,452
	<hr/>	<hr/>
EXPENDITURES		
Culture and recreation		
Personnel	6,638,995	6,116,099
Library materials	1,318,930	1,371,070
Buildings and grounds	600,317	553,274
Vehicle	407,875	452,919
Travel and continuing education	329,103	270,100
Public relations	43,500	11,738
Commercial insurance	22,573	19,774
Supplies, postage, and printing	179,875	190,557
Telephone and communications	142,069	126,295
Equipment rental, repair, and maintenance	155,330	121,765
Professional services	228,500	178,698
Contractual services	2,058,741	1,934,753
Professional association membership dues	9,150	10,635
Miscellaneous	5,185	5,066
	<hr/>	<hr/>
Total expenditures	12,140,143	11,362,743
	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	<u>\$ 311,133</u>	(1,186,291)
FUND BALANCE, JULY 1		<hr/> 13,060,554
FUND BALANCE, JUNE 30		<u><u>\$ 11,874,263</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
REVENUES			
State grants			
System automation and technology	\$ 36,080	\$ 36,080	\$ 36,080
Total revenues	<u>36,080</u>	<u>36,080</u>	<u>36,080</u>
EXPENDITURES			
Culture and recreation			
Contractual services	<u>36,080</u>	<u>36,080</u>	<u>36,080</u>
Total expenditures	<u>36,080</u>	<u>36,080</u>	<u>36,080</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	-
FUND BALANCE, JULY 1			<u>-</u>
FUND BALANCE, JUNE 30			<u>\$ -</u>

(See independent auditor's report.)

REACHING ACROSS ILLINOIS LIBRARY SYSTEM

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

Last Four Fiscal Years

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

Notes to Required Supplementary Information

The price inflation assumption was changed from 2.75% to 2.50%, and the salary increase assumption was changed from 3.75% - 14.50% to 3.39% - 14.25% in 2017.

* 2016 was restated due to changes in the information from RAILS's 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 26 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
TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

Last Fiscal Year

MEASUREMENT DATE JUNE 30,	2018
TOTAL OPEB LIABILITY	
Service cost	\$ 6,073
Interest	1,896
Difference between expected and actual experience	(29,342)
Changes in assumptions	(6,406)
Employee contributions	33,302
Implicit benefit payments	<u>(33,302)</u>
Net change in total OPEB liability	(27,779)
Total OPEB liability - beginning	<u>69,948</u>
TOTAL OPEB LIABILITY - ENDING	<u><u>\$ 42,169</u></u>
Covered-employee payroll	\$4,559,350
Employers total OPEB liability as a percentage of covered-employee payroll	0.92%

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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 Four Fiscal Years

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

* 2014 was restated due to changes in the information from the RAILS' actuary and auditor.

** There was a change in 2015 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.

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, 2018

BUDGETS

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. 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, 2018.

**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, 2018

	Culture and Recreation		LLSAP	
	Final Budget	Actual	Final Budget	Actual
REVENUES				
State grants				
Area and per capita	\$ 9,879,110	\$ 7,512,651	\$ -	\$ -
Fees for services and materials	342,000	335,091	646,460	634,943
Reimbursements	980,000	963,368	-	-
Investment income	65,466	181,635	-	-
Other revenues				
Miscellaneous	10,000	4,944	-	-
Gifts	-	25	-	-
Total revenues	11,276,576	8,997,714	646,460	634,943
EXPENDITURES				
Expenditures				
Personnel	2,618,345	2,286,600	1,886,308	1,762,671
Library materials	1,318,930	1,371,070	-	-
Buildings and grounds	456,812	414,352	-	-
Vehicle	25,771	18,065	11,948	9,368
Travel and continuing education	263,177	237,990	59,263	27,311
Public relations	43,500	11,738	-	-
Commercial insurance	22,573	19,774	-	-
Supplies, postage, and printing	122,325	125,396	1,800	1,345
Telephone and communications	108,929	91,520	23,800	25,871
Equipment rental, repair, and maintenance	152,580	119,640	-	-
Professional services	203,500	145,726	-	-
Contractual services	390,294	283,332	503,447	506,046
Professional association membership dues	8,425	9,601	725	759
Miscellaneous	4,160	2,816	175	1,494
Total expenditures	5,739,321	5,137,620	2,487,466	2,334,865
NET CHANGE IN FUND BALANCES	\$ 5,537,255	\$ 3,860,094	\$ (1,841,006)	\$ (1,699,922)

FUND BALANCES, JULY 1

FUND BALANCES, JUNE 30

Delivery		Total	
Final Budget	Actual	Final Budget	Actual
\$ -	\$ -	\$ 9,879,110	\$ 7,512,651
528,240	543,795	1,516,700	1,513,829
-	-	980,000	963,368
-	-	65,466	181,635
-	-	10,000	4,944
-	-	-	25
528,240	543,795	12,451,276	10,176,452
2,134,342	2,066,828	6,638,995	6,116,099
-	-	1,318,930	1,371,070
143,505	138,922	600,317	553,274
370,156	425,486	407,875	452,919
6,663	4,799	329,103	270,100
-	-	43,500	11,738
-	-	22,573	19,774
55,750	63,816	179,875	190,557
9,340	8,904	142,069	126,295
2,750	2,125	155,330	121,765
25,000	32,972	228,500	178,698
1,165,000	1,145,375	2,058,741	1,934,753
-	275	9,150	10,635
850	756	5,185	5,066
3,913,356	3,890,258	12,140,143	11,362,743
<u>\$ (3,385,116)</u>	<u>\$ (3,346,463)</u>	<u>\$ 311,133</u>	<u>(1,186,291)</u>
			<u>13,060,554</u>
			<u>\$ 11,874,263</u>

(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, 2018

	Original and Final Budget	Actual
PERSONNEL		
Library professionals	\$ 1,484,213	\$ 1,289,131
Other professionals	1,875,475	1,780,229
Support services	1,690,177	1,685,611
Social Security taxes	384,439	345,088
Unemployment insurance	62,252	35,446
Workers' compensation	144,053	115,009
Retirement benefits	234,802	165,301
Health, dental, and life insurance	667,084	618,087
Other fringe benefits	44,500	22,271
Temporary help	32,000	56,574
Recruiting	20,000	3,352
Total personnel	6,638,995	6,116,099
LIBRARY MATERIALS		
Print materials	7,930	1,857
E-resources	1,311,000	1,369,213
Total library materials	1,318,930	1,371,070
BUILDINGS AND GROUNDS		
Rent/lease	246,613	246,941
Utilities	132,200	109,666
Property insurance	11,792	10,568
Repairs and maintenance	94,200	73,130
Custodial/janitorial service and supplies	59,000	45,754
Other buildings and grounds	56,512	67,215
Total buildings and grounds	600,317	553,274
VEHICLES		
Fuel	232,975	230,886
Repairs and maintenance	79,800	140,211
Vehicle insurance	89,350	71,857
Other vehicle expense	5,750	9,965
Total vehicles	407,875	452,919

(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, 2018

	Original and Final Budget	Actual
TRAVEL AND CONTINUING EDUCATION		
In-state travel	\$ 56,431	\$ 40,196
Out-of-state travel	70,527	51,615
Registration and meeting fees	68,145	60,268
Conferences and continuing education meetings	134,000	118,021
Total travel and continuing education	329,103	270,100
PUBLIC RELATIONS	43,500	11,738
COMMERCIAL INSURANCE		
Liability insurance	22,573	19,774
SUPPLIES, POSTAGE, AND PRINTING		
Computers, software, and supplies	63,300	32,716
General office supplies and equipment	43,550	86,543
Postage	29,325	16,703
Library supplies	500	-
Delivery supplies	43,100	54,595
Other supplies	100	-
Total supplies, postage, and printing	179,875	190,557
TELEPHONE AND COMMUNICATIONS	142,069	126,295
EQUIPMENT RENTAL, REPAIR, AND MAINTENANCE		
Equipment rental	32,300	27,576
Equipment repair and maintenance agreements	123,030	94,189
Total equipment rental, repair, and maintenance	155,330	121,765
PROFESSIONAL SERVICES		
Legal	50,000	18,629
Accounting	60,000	23,991
Consulting	118,500	97,897
Payroll service fee	-	38,181
Total professional services	228,500	178,698

(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, 2018

	Original and Final Budget	Actual
CONTRACTUAL SERVICES		
Information service costs	\$ 65,574	\$ 42,993
Contract agreements with systems, member libraries, other co-ops	650,167	535,165
Outside printing services	500	-
Other contractual services	1,342,500	1,356,595
	<hr/>	<hr/>
Total contractual services	2,058,741	1,934,753
	<hr/>	<hr/>
PROFESSIONAL ASSOCIATION MEMBERSHIP DUES	9,150	10,635
	<hr/>	<hr/>
MISCELLANEOUS	5,185	5,066
	<hr/>	<hr/>
TOTAL EXPENDITURES	<u>\$ 12,140,143</u>	<u>\$ 11,362,743</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, 2018

	Original Budget	Final Budget	Actual
REVENUES			
None	\$ -	\$ -	\$ -
EXPENDITURES			
Capital outlay			
Computers	35,000	35,000	-
Furnitures and fixtures	22,000	22,000	-
Building and improvements	848,000	848,000	596,220
Vehicles	210,000	210,000	79,631
Total expenditures	<u>1,115,000</u>	<u>1,115,000</u>	<u>675,851</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,115,000)</u>	<u>\$ (1,115,000)</u>	(675,851)
FUND BALANCE, JULY 1			<u>3,652,257</u>
FUND BALANCE, JUNE 30			<u>\$ 2,976,406</u>

(See independent auditor's report.)



REACHING ACROSS ILLINOIS LIBRARY SYSTEM

SINGLE AUDIT REPORT

For the Year Ended June 30, 2018

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 feel.

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REACHING ACROSS ILLINOIS LIBRARY SYSTEM
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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, 2017, and the related notes to the financial statements, which collectively comprise RAILS' basic financial statements, and have issued our report thereon dated September 18, 2018.

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 18, 2018

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, 2018. 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, 2018.

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, 2018 and the related notes to financial statements, which collectively comprise RAILS' basic financial statements. We issued our report thereon dated September 18, 2018, 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 18, 2018

REACHING ACROSS ILLINOIS LIBRARY SYSTEM

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

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, 2018

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:

CFDA Number(s) Name of Federal Program or Cluster

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, 2018

Section II - Financial Statement Findings

None.

Section III - Federal Awards Findings and Questioned Costs

None.

Section IV - Prior Year Findings

None