

**REACHING ACROSS ILLINOIS LIBRARY SYSTEM**

**ANNUAL FINANCIAL REPORT**

For the Year Ended  
June 30, 2017



**REACHING ACROSS ILLINOIS LIBRARY SYSTEM**  
**TABLE OF CONTENTS**

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	<u>Page(s)</u>
INDEPENDENT AUDITOR’S REPORT .....	1-3
<b>GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS</b>	
Management’s Discussion and Analysis.....	MD&A 1-8
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position.....	4
Statement of Activities .....	5
Fund Financial Statements	
Governmental Funds	
Balance Sheet.....	6
Reconciliation of Fund Balances of Governmental Funds to the Governmental Activities in the Statement of Net Position.....	7
Statement of Revenues, Expenditures, and Changes in Fund Balances ....	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Governmental Activities in the Statement of Activities .....	9
Notes to Financial Statements .....	10-27
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
General Fund .....	28
Grant Fund.....	29
Schedule of Employer Contributions	
Illinois Municipal Retirement Fund .....	30
Schedule of Funding Progress and Employer Contributions	
Other Postemployment Benefit Plan .....	31
Schedule of Changes in the Employer’s Net Pension Liability and Related Ratios	
Illinois Municipal Retirement Fund .....	32
Notes to Required Supplementary Information .....	33

**REACHING ACROSS ILLINOIS LIBRARY SYSTEM**  
**TABLE OF CONTENTS (Continued)**

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	<u>Page(s)</u>
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES	
MAJOR GOVERNMENT FUNDS	
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual General Fund .....	34-35
SUPPLEMENTARY FINANCIAL INFORMATION	
Schedule of Expenditures - Budget and Actual General Fund .....	36-38
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Capital Projects Fund .....	39



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## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors  
Reaching Across Illinois Library System

We have audited the accompanying financial statements of the governmental activities, 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, 2017, 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, each major fund of the Reaching Across Illinois Library System, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Matters*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise RAILS' basic financial statements as a whole. The combining and individual fund financial statements and schedules and supplementary financial information are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and schedules and supplementary financial information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2017 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 15, 2017

**GENERAL PURPOSE EXTERNAL  
FINANCIAL STATEMENTS**

# Reaching Across Illinois Library System

## Management's Discussion and Analysis

September 15, 2017

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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, 2017. These activities represent RAILS', which formed on July 1, 2011 as a merger of five previously existing library systems, sixth year of operations. Comparative data to RAILS' prior year of operations, ended June 30, 2016 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

- Due to the State of Illinois Budget impasse that persisted throughout the year, RAILS Area and Per Capita Grant allocation, for the second straight year, remained at \$5,842,358, or \$4,143,172 below the amount granted for fiscal year 2015. Of this amount, RAILS received \$1,880,238 during fiscal year 2017. RAILS anticipates receipt of the remaining awarded amount of \$3,962,120 in fiscal year 2018.
- Assets exceeded liabilities by \$25,576,489 (net position) at the close of the fiscal year. Of this amount, \$737,184 is restricted for the net pension asset of \$676,848 and the deferred outflows of \$60,336 related to contributions made after the measurement date for IMRF. The investment in capital assets, net of any debt used to acquire those assets, is \$1,736,646. The remaining balance of \$23,102,659 is unrestricted and available to fund future operations. The decline in total net position for RAILS is \$4,996,596, primarily from losses from operations resulting from the above noted reduction in operating grants.
- Total governmental funds reported an end of the year fund balance of \$16,712,811, a decrease of \$7,706,872 from the prior year-end funds balance. Cash and investments were \$16,420,387, a decrease of \$8,003,731 from the prior year-end cash and investment balance. The unassigned General Fund balance of \$12,367,202 would be an amount sufficient to fund approximately thirteen months of governmental fund expenditures. In addition, RAILS has a \$3.65 million balance in its Capital Projects fund that could be reassigned, if necessary, to fund operations.
- Governmental funds reported a combined total of \$4,810,452 in revenues and \$12,517,324 in expenditures. Area and Per Capita (APC) Grant revenues, RAILS' primary source of revenues, were \$1,880,238, all of which pertained to the reduced fiscal year 2017 award. An additional \$3,962,120 was awarded but not received during the availability period for recognition of revenue in the governmental funds, and therefore is classified as deferred inflows of resources. RAILS anticipates receipt of this payment in fiscal year 2018.
- The General Fund's total revenues of \$4,774,372 were below the final budget by \$3,653,027, primarily due to the \$3,962,120 decline in Area and Per Capita Grant revenues, partially offset by above budget revenues from group purchasing activities.

- Total General Fund expenditures of \$12,283,368 were below the final budget by \$109,658 due primarily to below budget expenditures in Supplies, Postage and Printing (\$93,332), Personnel (\$79,199), Buildings and Grounds (\$71,385), Vehicle expenditures (\$41,306), Travel and Continuing Education (\$47,156), and Professional Services (\$39,035), partially offset by higher Library Materials (\$211,929, primarily reimbursed group purchases for members) and Contractual Services (\$63,201).
- During fiscal year 2016, RAILS was awarded a contract for the statewide delivery between academic libraries. This contract became effective on July 1, 2016 and is the major factor in the substantial increase in FY2017 net delivery expense.
- The Illinois State Library, beginning on July 1, 2016, terminated grant funding of the Illinois Talking Books Program, with the intention of fully administering this program internally. The RAILS board authorized the funding of the RAILS' operated segment of the program, the Illinois Talking Books Outreach Center, from RAILS' General Fund for fiscal year 2017 and for the first two months of fiscal year 2018, after which RAILS discontinued this operation.

## 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 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. 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 2017 and 2016, 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 June 2016.

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' fifth year of operations, fiscal year 2016) is shown. The following table reflects the condensed Statement of Net Position as of June 30, 2017:

	2017	2016
Current and other assets	\$ 21,857,632	\$ 25,955,476
Capital assets	1,736,646	1,953,518
Deferred outflows, IMRF	2,667,457	3,306,290
Total Assets & Def. Outflows	<u>26,261,735</u>	<u>31,215,282</u>
Long-term liabilities	186,297	126,915
Other liabilities	498,949	500,578
Deferred inflows, IMRF	-	14,704
Total Liabilities	<u>685,246</u>	<u>642,197</u>
Invested in capital assets	1,736,646	1,953,518
Restricted	737,184	1,120,057
Unrestricted	<u>23,102,659</u>	<u>27,499,510</u>
Total Net Position	<u>\$ 25,576,489</u>	<u>\$ 30,573,085</u>

The governmental activities end-of-year total net position was \$25,576,489. Current and other assets primarily consisted of cash and investments (\$16.4 million), due from other governments (\$4.0 million), the net pension asset (\$.7 million) and prepaid expenses (\$.7 million). Long-term liabilities were the liability for compensated absences. Other liabilities consisted primarily of accounts payable (\$.3 million) and accrued payroll (\$.1 million). The amounts invested in capital assets decreased \$.2 million, due primarily to depreciation of existing assets (\$.4 million), exceeding capital expenditures of \$.2 million.

The decline (\$4.1 million) in current and other assets from the prior year-end amount is due primarily to an \$8.0 million decrease in cash and investments, partially offset by a \$4.0 million increases in due from other governments. The due from other governments represents the unpaid amounts of the fiscal year 2017 Area and Per Capita grant. Cash and investments declined primarily from an excess of expenditures over revenues within the General and Capital Projects Funds of \$7.5 million and \$.2 million, respectively.

The following table summarizes the government-wide statement of changes in net position for the years ended June 30, 2017 and June 30, 2016:

**Table 2**  
**Governmental Activities**

	2017	2016
<b>REVENUES</b>		
Program Revenues:		
Charges for Services	\$ 2,764,364	\$ 1,952,466
Operating Grants	5,878,438	6,510,747
Capital Grants	-	-
Total Program Revenues:	8,642,802	8,463,193
Investment Income	84,741	39,092
Miscellaneous	45,029	1,765
Total Revenues	<u>8,772,572</u>	<u>8,504,050</u>
<b>EXPENSES</b>		
Administration	5,547,854	5,378,701
Talking Books	594,468	625,274
eRead Illinois	374,107	514,961
MARC of Quality	36,080	36,080
Group Purchases	994,459	754,548
Delivery	3,867,552	2,410,241
LLSAP	2,354,648	1,947,281
Total Expenses	<u>13,769,168</u>	<u>11,667,086</u>
Increase (Decrease) in net position before contributions and transfers	(4,996,596)	(3,163,036)
Beginning Net Position	<u>30,573,085</u>	<u>33,736,121</u>
Total Net Position	<u>\$ 25,576,489</u>	<u>\$ 30,573,085</u>

RAILS' total revenues for fiscal year 2017 were \$8,772,572, an increase of \$268,522 from the prior year, primarily due to an \$811,898 increase in charges for services, partially offset by a \$632,309 decrease in operating grants. Charges for Services increased due primarily from fees of \$526,845 received pertaining to the contract for the statewide delivery between academic libraries, which began on July 1, 2016, and a \$263,970 increase of group purchase fees, due to the expansion of vendor and product options. Operating grants declined primarily due to the termination of grant funding of the Talking Books Program, for which RAILS for fiscal year 2016 was awarded a grant of \$622,309. The Area and Per Capita Grant allocation from the State, for the second straight year, remained at \$5,842,358, or \$4,143,172 below the amount granted for fiscal year 2015

Investment Income of \$84,741 was \$45,649 above the prior year due to higher interest rates on certificates of deposit and money market investments. Miscellaneous revenues for fiscal year 2017

primarily include E-Rate reimbursement payments of \$25,910, of which no reimbursement funds were received in the prior year.

RAILS' fiscal year 2017 expenses totaled \$13,769,168, an increase of \$2,102,082 from fiscal year 2016 expenses primarily from increases in Delivery (\$1,457,311), LLSAP (\$407,367) and Group Purchase (\$239,911) expenses. Delivery expenses increased primarily from the first year implementation of the contract for the statewide delivery between academic libraries, which resulted in substantial increases in personnel, fuel and other expenses. In addition, beginning in fiscal year 2017, facility expenses of approximately \$145,000 were allocated to delivery. LLSAP expenses increased primarily from increased personnel expenses, as RAILS filled vacant positions from the prior fiscal year. Group Purchase expenses, which are reimbursed by the participating members, increased due to the expansion of vendor and product options.

### **Financial Analysis of RAILS' Funds**

For the fiscal year ended June 30, 2017, the governmental funds had a combined fund balance of \$16,712,811, of which \$13,060,554 was within the General Fund, which is the main operating fund of RAILS, and \$3,652,257 million within the Capital Projects Fund. Revenues of \$4,810,452, consisting entirely of operating revenues, were \$3,819,844 below the final budget primarily from a \$3,962,120 shortfall of Area and Per Capita Grant revenues and lower Grant Fund revenues (\$166,817), due to the non-award of grant funds for a Federal program for which RAILS had applied and budgeted for, partially offset by increased reimbursement revenues.

Expenditures of \$12,517,324 were \$358,599 below budget due primarily to lower Grant Fund expenditures (\$166,817), due to the non-award of Federal grant funds for which program expenditures were budgeted, and lower General Fund (\$109,658) and Capital Projects Fund (\$82,124) expenditures.

General Fund expenditures were below budget primarily from lower expenditures for Supplies, Postage and Printing (\$93,332), Personnel (\$79,199), Buildings and Grounds (\$71,385), Vehicle expenditures (\$41,306), Travel and Continuing Education (\$47,156) and Professional Services (\$39,035), partially offset by higher Library Materials (\$211,929), primarily reimbursed group purchases for members, and Contractual Services (\$63,201). Personnel expenditures were lower primarily from not filling vacant positions. Supplies, Postage and Printing expenditures were below budget as RAILS replaced its desktop computers at much lower than budgeted costs. Buildings and Grounds expenditures were lower than budget mainly from favorable repairs and maintenance (\$60,650) expenditures. Vehicle expenditures benefitted from lower than budget fuel prices and insurance costs, partially offset by higher repairs and maintenance, due to the aging of RAILS' fleet. Professional Services were above budget primarily from increased delivery related expenditures due to the statewide delivery operation.

Capital outlays were below budget due primarily to lower buildings and improvements expenditures for a building renovation project, which continued into fiscal year 2018.

The following table summarizes General Fund actual and budget net changes in fund balance for the years ended June 30, 2017 and June 30, 2016:

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

	Fiscal Year 2017		Fiscal Year 2016	
	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues:</b>				
State Grants	\$ 5,842,358	\$ 1,880,238	\$ 5,842,358	\$ 5,842,358
Other	2,585,041	2,894,134	1,981,219	2,010,699
Total revenues	8,427,399	4,774,372	7,823,577	7,853,057
<b>Expenditures and Transfers:</b>				
Expenditures - Current	12,393,026	12,283,368	10,082,332	10,158,801
Expenditures - Capital outlay	-	-	-	-
Total expenditures	12,393,026	12,283,368	10,082,332	10,158,801
Excess (Deficit) of Revenues over Expenditures	(3,965,627)	(7,508,996)	(2,258,755)	(2,305,744)
Other Financing Sources	-	-	-	-
Prior Period Adjustment	-	-	-	-
Net Change in Fund Balance	<u>\$ (3,965,627)</u>	<u>\$ (7,508,755)</u>	<u>\$ (2,258,755)</u>	<u>\$ (2,305,744)</u>

During fiscal year 2017, there were no amendments to the budget. The RAILS' board of directors, for both fiscal years 2017 and 2016, directed that RAILS continue its planned activities and fund any operating deficit by using its reserves.

There were no fiscal year 2017 revenues from other financing sources.

### Capital Assets

At the end of fiscal year 2017, RAILS Governmental activities had net capital assets of approximately \$1.7 million, compared to net capital assets of approximately \$1.9 million at the end of fiscal year 2016. Of this amount, approximately \$1.2 million was infrastructure (land and buildings and improvements), vehicles were \$.3 million and computers and equipment approximated \$.2 million. The decrease in net capital assets was primarily due to depreciation exceeding 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. The State of Illinois' adoption of a fiscal year 2018 budget provides optimism that RAILS' funding may be restored to fiscal year 2015 amounts.

**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, 2017

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	<b><u>Governmental Activities</u></b>
<b>ASSETS</b>	
Cash and investments	\$ 16,420,387
Receivables (net of allowance where applicable)	
Accounts	69,040
Notes	2,179
Other	26,802
Due from other governments	3,962,120
Prepaid expenses	693,352
Net pension asset	676,848
Net other postemployment benefit asset	6,904
Capital assets, not being depreciated	107,000
Capital assets (net of accumulated depreciation)	<u>1,629,646</u>
 Total assets	 23,594,278
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflow, IMRF	<u>2,667,457</u>
 Total assets and deferred outflows of resources	 <u>26,261,735</u>
<b>LIABILITIES</b>	
Accounts payable	347,937
Accrued payroll	128,275
Unearned revenue	22,737
Noncurrent liabilities	
Due within one year	18,630
Due in more than one year	<u>167,667</u>
 Total liabilities	 <u>685,246</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,736,646
Restricted for net pension asset	737,184
Unrestricted	<u>23,102,659</u>
 <b>TOTAL NET POSITION</b>	 <u><u>\$ 25,576,489</u></u>

See accompanying notes to financial statements.



**REACHING ACROSS ILLINOIS LIBRARY SYSTEM**

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2017

	<u>General</u>	<u>Grant</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and investments	\$ 12,595,703	\$ -	\$ 3,824,684	\$ 16,420,387
Accounts receivable				
Accounts	69,040	-	-	69,040
Notes	2,179	-	-	2,179
Other	26,802	-	-	26,802
Due from other governments	3,962,120	-	-	3,962,120
Prepaid items	693,352	-	-	693,352
<b>TOTAL ASSETS</b>	<b>\$ 17,349,196</b>	<b>\$ -</b>	<b>\$ 3,824,684</b>	<b>\$ 21,173,880</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 175,510	\$ -	\$ 172,427	\$ 347,937
Accrued payroll	128,275	-	-	128,275
Unearned revenue	22,737	-	-	22,737
<b>Total liabilities</b>	<b>326,522</b>	<b>-</b>	<b>172,427</b>	<b>498,949</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable grant revenue	3,962,120	-	-	3,962,120
<b>Total deferred inflows of resources</b>	<b>3,962,120</b>	<b>-</b>	<b>-</b>	<b>3,962,120</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>4,288,642</b>	<b>-</b>	<b>172,427</b>	<b>4,461,069</b>
<b>FUND BALANCES</b>				
Nonspendable - prepaid items	693,352	-	-	693,352
Assigned for special projects	-	-	3,652,257	3,652,257
Unassigned	12,367,202	-	-	12,367,202
<b>Total fund balances</b>	<b>13,060,554</b>	<b>-</b>	<b>3,652,257</b>	<b>16,712,811</b>
<b>TOTAL LIABILITIES, DEFERRED REVENUE AND FUND BALANCES</b>	<b>\$ 17,349,196</b>	<b>\$ -</b>	<b>\$ 3,824,684</b>	<b>\$ 21,173,880</b>

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, 2017

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<b>FUND BALANCES OF GOVERNMENTAL FUNDS</b>	\$ 16,712,811
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	1,736,646
Net pension assets are not current financial resources and, therefore, are not reported in the governmental funds	676,848
Deferred outflows of resources related to pensions are not current financial resources and, therefore, are not reported in the governmental funds	2,667,457
Certain grant revenues are unavailable in the governmental funds, but is recorded as revenue in the governmental activities	3,962,120
Other postemployment benefit assets are not current financial resources and, therefore, are not reported in the governmental funds	6,904
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>(186,297)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 25,576,489</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, 2017

	<b>General</b>	<b>Grant</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
State grants				
Area and per capita	\$ 1,880,238	\$ -	\$ -	\$ 1,880,238
System automation and technology	-	36,080	-	36,080
Fees for services and materials	1,520,407	-	-	1,520,407
Reimbursements	1,030,547	-	-	1,030,547
Investment income	84,741	-	-	84,741
Other revenues				
Rental income	239,321	-	-	239,321
Miscellaneous	17,103	-	-	17,103
Gifts	2,015	-	-	2,015
<b>Total revenues</b>	<b>4,774,372</b>	<b>36,080</b>	<b>-</b>	<b>4,810,452</b>
<b>EXPENDITURES</b>				
Culture and recreation				
Personnel	6,496,530	-	-	6,496,530
Library materials	1,318,316	-	-	1,318,316
Buildings and grounds	627,807	-	-	627,807
Vehicle	389,632	-	-	389,632
Travel and continuing education	299,286	-	-	299,286
Public relations	31,789	-	-	31,789
Commercial insurance	30,282	-	-	30,282
Supplies, postage, and printing	258,072	-	-	258,072
Telephone and communications	146,009	-	-	146,009
Equipment rental, repair, and maintenance	107,193	-	-	107,193
Professional services	246,465	-	-	246,465
Contractual services	2,320,136	36,080	-	2,356,216
Professional association membership dues	9,443	-	-	9,443
Miscellaneous	2,408	-	-	2,408
Capital outlay	-	-	197,876	197,876
<b>Total expenditures</b>	<b>12,283,368</b>	<b>36,080</b>	<b>197,876</b>	<b>12,517,324</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(7,508,996)</b>	<b>-</b>	<b>(197,876)</b>	<b>(7,706,872)</b>
<b>FUND BALANCES, JULY 1</b>	<b>20,569,550</b>	<b>-</b>	<b>3,850,133</b>	<b>24,419,683</b>
<b>FUND BALANCES, JUNE 30</b>	<b>\$ 13,060,554</b>	<b>\$ -</b>	<b>\$ 3,652,257</b>	<b>\$ 16,712,811</b>

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, 2017

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<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ (7,706,872)</b>
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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	(59,382)
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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	(414,748)
--	-----------

Governmental funds report capital outlay expenditures; however, they are capitalized in the statement of activities	197,876
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The change in the deferred outflow is reported as an expense on the statement of activities	(638,833)
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The change in the deferred inflow is reported as a revenue on the statement of activities	3,962,120
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The change in the deferred inflow is reported as an expense on the statement of activities	14,704
--	--------

The change in the net pension asset is reported as an expense on the statement of activities	(352,547)
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The change in other postemployment benefit asset is reported as an expense on the statement of activities	<u>1,086</u>
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<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u><u>\$ (4,996,596)</u></u></b>
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See accompanying notes to financial statements.

# REACHING ACROSS ILLINOIS LIBRARY SYSTEM

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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### 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)

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**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)**

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**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 \$22,737 pertaining to E-Book for Illinois fiscal year 2018 membership fees invoiced in fiscal year 2017.

The General Fund reports unavailable revenue in the amount of \$3,962,120 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 and all investments of the pension trust funds 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)**

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**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 an additional 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)**

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**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)**

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**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 \$676,848 net of the deferred outflows for employer contributions in the amount of \$60,336, 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)

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**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 Illinois Funds.

Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State of Illinois to pool their funds for investment purposes. Investments in Illinois Funds are valued at Illinois Funds' share price, which is the price for which the investment could be sold.

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 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 only in Illinois Funds and insured Certificates of Deposit.

Illinois Funds is "AAAm" rated by S&P.

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

**3. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balances July 1	Increases	Decreases	Balances June 30
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 107,000	\$ -	\$ -	\$ 107,000
Total capital assets not being depreciated	107,000	-	-	107,000
Capital assets being depreciated				
Building and improvements	3,816,245	172,427	1,421,110	2,567,562
Furniture, fixtures, equipment, and computers	1,098,092	7,504	39,469	1,066,127
Vehicles	1,143,176	17,945	-	1,161,121
Total capital assets being depreciated	6,057,513	197,876	1,460,579	4,794,810
Less accumulated depreciation for				
Building improvements	2,667,277	183,237	1,421,110	1,429,404
Furniture, fixtures, equipment, and computers	788,410	101,938	39,469	850,879
Vehicles	755,308	129,573	-	884,881
Total accumulated depreciation	4,210,995	414,748	1,460,579	3,165,164
Total capital assets being depreciated, net	1,846,518	(216,872)	-	1,629,646
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>				
	\$ 1,953,518	\$ (216,872)	\$ -	\$ 1,736,646

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

<b>GOVERNMENTAL ACTIVITIES</b>	
Culture and recreation	\$ 324,850
Delivery	89,898
<b>TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES</b>	<b>\$ 414,748</b>

**4. LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2017:

	Balance July 1	Additions	Reductions	Balance June 30	Current Portion
<b>GOVERNMENTAL ACTIVITIES</b>					
Compensated absences	\$ 126,915	\$ 59,382	\$ -	\$ 186,297	\$ 18,630
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 126,915</b>	<b>\$ 59,382</b>	<b>\$ -</b>	<b>\$ 186,297</b>	<b>\$ 18,630</b>

Compensated absences are liquidated by the General Fund.

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

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**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](http://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.

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, 2016, IMRF membership consisted of:

Inactive plan members	417
Inactive, nonretired members	157
Active plan members	<u>111</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.

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

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**5. DEFINED BENEFIT PENSION PLAN (Continued)**

Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

*Benefits Provided (Continued)*

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.

*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 2017 and 2016 were 2.38% and 4.61% of covered payroll, respectively. 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, 2016 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, 2016
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.75%
Salary increases	3.75% to 14.50%
Investment rate of return	7.50%
Cost of living adjustments	3.00%
Asset valuation method	Market value

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

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**5. DEFINED BENEFIT PENSION PLAN (Continued)**

Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

*Actuarial Assumptions (Continued)*

For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). 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-2014 (base year 2012). 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-2014 (base year 2012). IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.5%. 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.

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

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**5. DEFINED BENEFIT PENSION PLAN (Continued)**

Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

*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, 2016	\$ 47,835,040	\$ 48,864,435	\$ (1,029,395)
Changes for the period			
Service cost	431,916	-	431,916
Interest	3,473,417	-	3,473,417
Difference between expected and actual experience	460,084	-	460,084
Changes in assumptions	-	-	-
Employer contributions	-	207,692	(207,692)
Employee contributions	-	205,937	(205,937)
Net investment income	-	3,351,477	(3,351,477)
Benefit payments and refunds	(3,477,540)	(3,477,540)	-
Administrative expense	-	247,764	(247,764)
Net changes	887,877	535,330	352,547
BALANCES AT DECEMBER 31, 2016	\$ 48,722,917	\$ 49,399,765	\$ (676,848)

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

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**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, 2017, RAILS recognized pension expense of \$1,154,042. At June 30, 2017, RAILS reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ 64,143
Changes in assumption	-
Net difference between projected and actual earnings on pension plan investments	2,542,978
Contributions made subsequent to the measurement date	<u>60,336</u>
 TOTAL	 <u>\$ 2,667,457</u>

\$60,336 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to IMRF will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2018	\$ 944,543
2019	880,401
2020	740,627
2021	41,550
Thereafter	<u>-</u>
 TOTAL	 <u>\$ 2,607,121</u>

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

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**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 to changes in the discount rate. The table below presents the net pension liability of RAILS calculated using the discount rate of 7.5% as well as what RAILS' net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability (asset)	\$ 4,186,002	\$ (676,848)	\$ (4,748,451)

**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 IMRF and can be amended by IMRF 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)**

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**6. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

c. Membership

At June 30, 2015 (most recent available), membership consisted of:

Retirees and beneficiaries currently receiving benefits	5
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	<u>81</u>
 TOTAL	 <u><u>86</u></u>
 Participating employers	 <u><u>1</u></u>

d. Funding Policy

RAILS is not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the plan until retirement

e. Annual OPEB Costs and Net OPEB Obligation

RAILS had an actuarial valuation performed for the plan as of July 1, 2015 to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC) for the fiscal year ended June 30, 2017. RAILS annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
2015	\$ 7,063	\$ 8,619	122.03%	\$ (6,803)
2016	7,061	6,076	86.05%	(5,818)
2017	7,062	8,148	115.38%	(6,904)

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

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**6. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

e. Annual OPEB Costs and Net OPEB Obligation (Continued)

The net OPEB obligation (asset) as of June 30, 2017 was calculated as follows:

Annual required contribution	\$ 7,071
Interest on net OPEB obligation	(233)
Adjustment to annual required contribution	<u>224</u>
Annual OPEB cost	7,062
Contributions made	<u>(8,148)</u>
Decrease in net OPEB obligation	(1,086)
Net OPEB obligation (asset), beginning of year	<u>(5,818)</u>
<b>NET OPEB OBLIGATION ASSET, END OF YEAR</b>	<b><u>\$ (6,904)</u></b>

Funded Status and Funding Progress. The funded status of the plan as of June 30, 2015 (most recent available) was as follows:

Actuarial accrued liability (AAL)	\$ 65,008
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	65,008
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 4,486,498
UAAL as a percentage of covered payroll	1.40%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**6. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

f. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation (most recent available), the entry-age normal actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return and an initial healthcare cost trend rate of 7.0% with an ultimate healthcare inflation rate of 6.0%. Both rates include 2.5% inflation assumption. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016 was 30 years.

**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.

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 terminates 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 \$4,649 and, upon the exercise of the option to lease additional space, \$6,935 beginning in September 2013. Required monthly lease payments for the third year of the lease are \$4,885.

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

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**7. LEASE COMMITMENT AND TOTAL RENT EXPENSE (Continued)**

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

Rent expense totaled \$392,834 for the year ended June 30, 2017. Future minimum lease payments as of June 30, 2017 are as follows:

Fiscal Year Ending June 30,	
2018	\$ 227,025
2019	157,750
2020	<u>-</u>
<b>TOTAL</b>	<b><u><u>\$ 384,775</u></u></b>

**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, 2017

	<b>Original and Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>		
State grants		
Area and per capita	\$ 5,842,358	\$ 1,880,238
Fees for services and materials	1,508,480	1,520,407
Reimbursements	765,600	1,030,547
Investment income	56,617	84,741
Other revenues		
Rental income	244,844	239,321
Miscellaneous	9,500	17,103
Gifts	-	2,015
Total revenues	<u>8,427,399</u>	<u>4,774,372</u>
<b>EXPENDITURES</b>		
Culture and recreation		
Personnel	6,575,729	6,496,530
Library materials	1,106,490	1,318,316
Buildings and grounds	699,088	627,807
Vehicle	430,938	389,632
Travel and continuing education	346,442	299,286
Public relations	28,500	31,789
Commercial insurance	35,320	30,282
Supplies, postage, and printing	351,405	258,072
Telephone and communications	121,451	146,009
Equipment rental, repair, and maintenance	140,726	107,193
Professional services	285,500	246,465
Contractual services	2,256,935	2,320,136
Professional association membership dues	8,652	9,443
Miscellaneous	5,850	2,408
Total expenditures	<u>12,393,026</u>	<u>12,283,368</u>
NET CHANGE IN FUND BALANCE	<u>\$ (3,965,627)</u>	(7,508,996)
FUND BALANCE, JULY 1		<u>20,569,550</u>
<b>FUND BALANCE, JUNE 30</b>		<u><u>\$ 13,060,554</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, 2017

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	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Federal grants	\$ 166,817	\$ 166,817	\$ -
State grants			
System automation and technology	36,080	36,080	36,080
Total revenues	202,897	202,897	36,080
<b>EXPENDITURES</b>			
Culture and recreation			
Professional services	34,423	34,423	-
Travel and continuing education	2,045	2,045	-
Supplies, postage, and printing	2,000	2,000	-
Contractual services	164,429	164,429	36,080
Total expenditures	202,897	202,897	36,080
NET CHANGE IN FUND BALANCE	\$ -	\$ -	-
FUND BALANCE, JULY 1			-
<b>FUND BALANCE, JUNE 30</b>			<b>\$ -</b>

(See independent auditor's report.)

**REACHING ACROSS ILLINOIS LIBRARY SYSTEM**

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

Last Three Fiscal Years

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<b>FISCAL YEAR ENDED JUNE 30,</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>Restated</b>		
Actuarially determined contribution	\$ 396,960	\$ 184,718	\$ 177,366
Contributions in relation to the actuarially determined contribution	396,960	184,718	177,366
<b>CONTRIBUTION DEFICIENCY (Excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Covered-employee payroll	\$ 4,058,894	\$ 4,222,176	\$ 4,018,835
Contributions as a percentage of covered-employee payroll	9.78%	4.37%	4.41%

Notes to Required Supplementary Information

\* 2015 was restated due to changes in the information from the System'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 27 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**

REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POSTEMPLOYMENT BENEFIT PLAN

June 30, 2017

Schedule of Funding Progress

<b>Actuarial Valuation Date June 30,</b>	<b>(1) Actuarial Value of Assets</b>	<b>(2) Actuarial Accrued Liability (AAL) Entry-Age</b>	<b>(3) Funded Ratio (1) / (2)</b>	<b>(4) Unfunded AAL (UAAL) (2) - (1)</b>	<b>(5) Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll (4) / (5)</b>
2014	N/A	N/A	N/A	N/A	N/A	N/A
2015	\$ -	\$ 65,008	0.00%	\$ 65,008	\$ 4,486,498	1.45%
2016	N/A	N/A	N/A	N/A	N/A	N/A
2017	N/A	N/A	N/A	N/A	N/A	N/A

Schedule of Employer Contributions

<b>Fiscal Year</b>	<b>Employer Contributions</b>	<b>Annual Required Contribution (ARC)</b>	<b>Percentage Contributed</b>
2014	\$ 18,504	\$ 16,411	112.75%
2015	8,619	7,063	122.03%
2016	6,076	7,061	86.05%
2017	8,148	7,062	115.38%

N/A - Information not 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 Three Fiscal Years

<b>MEASUREMENT DATE DECEMBER 31,</b>	<b>2014*</b> <b>Restated</b>	<b>2015</b>	<b>2016</b>
<b>TOTAL PENSION LIABILITY</b>			
Service cost	\$ 438,134	\$ 437,025	\$ 431,916
Interest	3,253,499	3,449,018	3,473,417
Changes of benefit terms	-	-	-
Differences between expected and actual experience	432,684	(94,014)	460,084
Changes of assumptions	1,843,383	-	-
Benefit payments, including refunds of member contributions	(3,269,672)	(3,450,775)	(3,477,540)
Net change in total pension liability	2,698,028	341,254	887,877
Total pension liability - beginning	44,795,758	47,493,786	47,835,040
<b>TOTAL PENSION LIABILITY - ENDING</b>	<b>\$ 47,493,786</b>	<b>\$ 47,835,040</b>	<b>\$ 48,722,917</b>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions - employer	\$ 388,935	\$ 181,761	\$ 207,692
Contributions - member	192,707	218,671	205,937
Net investment income	3,009,579	248,475	3,351,477
Benefit payments, including refunds of member contributions	(3,269,672)	(3,450,775)	(3,477,540)
Administrative expense	217,278	446,094	247,764
Net change in plan fiduciary net position	538,827	(2,355,774)	535,330
Plan fiduciary net position - beginning	50,681,382	51,220,209	48,864,435
<b>PLAN FIDUCIARY NET POSITION - ENDING</b>	<b>\$ 51,220,209</b>	<b>\$ 48,864,435</b>	<b>\$ 49,399,765</b>
<b>EMPLOYER'S NET PENSION LIABILITY (ASSET)</b>	<b>\$ (3,726,423)</b>	<b>\$ (1,029,395)</b>	<b>\$ (676,848)</b>
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.85%	102.15%	101.39%
Covered-employee payroll	\$ 4,058,894	\$ 4,362,191	\$ 4,505,259
Employer's net pension liability (asset) as a percentage of covered-employee payroll	(91.81%)	(23.60%)	(15.02%)

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

Changes in assumptions related to retirement age and mortality were made since the prior measurement date.

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, 2017

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### **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 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, 2017.

**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, 2017

	Culture and Recreation		LLSAP	
	Final Budget	Actual	Final Budget	Actual
<b>REVENUES</b>				
State grants				
Area and per capita	\$ 5,842,358	\$ 1,880,238	\$ -	\$ -
Fees for services and materials	337,500	347,102	646,460	646,460
Reimbursements	765,600	1,030,547	-	-
Investment income	56,617	84,741	-	-
Other revenues				
Miscellaneous	254,344	256,424	-	-
Gifts	-	2,015	-	-
<b>Total revenues</b>	<b>7,256,419</b>	<b>3,601,067</b>	<b>646,460</b>	<b>646,460</b>
<b>EXPENDITURES</b>				
Expenditures				
Personnel	3,045,721	2,767,738	1,810,887	1,785,755
Library materials	1,106,490	1,318,316	-	-
Buildings and grounds	563,617	481,534	-	-
Vehicle	23,165	22,104	14,500	11,340
Travel and continuing education	289,638	261,991	51,725	33,342
Public relations	28,500	31,789	-	-
Commercial insurance	35,320	30,282	-	-
Supplies, postage, and printing	269,475	178,042	6,550	674
Telephone and communications	91,076	111,559	22,625	25,199
Equipment rental, repair, and maintenance	140,726	103,660	-	-
Professional services	275,500	245,205	10,000	-
Contractual services	613,430	625,264	478,419	487,422
Professional association membership dues	8,095	8,627	557	566
Miscellaneous	3,750	1,612	1,025	190
<b>Total expenditures</b>	<b>6,494,503</b>	<b>6,187,723</b>	<b>2,396,288</b>	<b>2,344,488</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 761,916</b>	<b>\$ (2,586,656)</b>	<b>\$ (1,749,828)</b>	<b>\$ (1,698,028)</b>

FUND BALANCES, JULY 1

**FUND BALANCES, JUNE 30**

<b>Delivery</b>		<b>Total</b>	
<b>Final Budget</b>	<b>Actual</b>	<b>Final Budget</b>	<b>Actual</b>
\$ -	\$ -	\$ 5,842,358	\$ 1,880,238
524,520	526,845	1,508,480	1,520,407
-	-	765,600	1,030,547
-	-	56,617	84,741
-	-	254,344	256,424
-	-	-	2,015
524,520	526,845	8,427,399	4,774,372
1,719,121	1,943,037	6,575,729	6,496,530
-	-	1,106,490	1,318,316
135,471	146,273	699,088	627,807
393,273	356,188	430,938	389,632
5,079	3,953	346,442	299,286
-	-	28,500	31,789
-	-	35,320	30,282
75,380	79,356	351,405	258,072
7,750	9,251	121,451	146,009
-	3,533	140,726	107,193
-	1,260	285,500	246,465
1,165,086	1,207,450	2,256,935	2,320,136
-	250	8,652	9,443
1,075	606	5,850	2,408
3,502,235	3,751,157	12,393,026	12,283,368
<u>\$ (2,977,715)</u>	<u>\$ (3,224,312)</u>	<u>\$ (3,965,627)</u>	<u>(7,508,996)</u>
			<u>20,569,550</u>
			<u>\$ 13,060,554</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, 2017

	<b>Original and Final Budget</b>	<b>Actual</b>
<b>PERSONNEL</b>		
Library professionals	\$ 1,659,737	\$ 1,461,273
Other professionals	1,994,330	1,980,444
Support services	1,402,594	1,566,391
Social Security taxes	384,609	363,473
Unemployment insurance	64,015	73,503
Workers' compensation	119,138	130,316
Retirement benefits	228,933	169,453
Health, dental, and life insurance	676,873	654,300
Other fringe benefits	10,000	7,495
Temporary help	10,500	71,395
Recruiting	25,000	18,487
<b>Total personnel</b>	<b>6,575,729</b>	<b>6,496,530</b>
<b>LIBRARY MATERIALS</b>		
Print materials	9,440	3,445
E-resources	1,097,050	1,314,871
<b>Total library materials</b>	<b>1,106,490</b>	<b>1,318,316</b>
<b>BUILDINGS AND GROUNDS</b>		
Rent/lease	341,878	392,834
Utilities	143,250	105,603
Property insurance	10,200	11,681
Repairs and maintenance	102,000	41,350
Custodial/janitorial service and supplies	56,800	50,341
Other buildings and grounds	44,960	25,998
<b>Total buildings and grounds</b>	<b>699,088</b>	<b>627,807</b>
<b>VEHICLES</b>		
Fuel	260,498	189,717
Repairs and maintenance	50,600	103,663
Vehicle insurance	115,840	87,785
Vehicles leasing and rent	500	-
Other vehicle expense	3,500	8,467
<b>Total vehicles</b>	<b>430,938</b>	<b>389,632</b>

(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, 2017

	<b>Final</b>		<b>Actual</b>
	<b>Budget</b>		
<b>TRAVEL AND CONTINUING EDUCATION</b>			
In-state travel	\$ 66,170	\$	58,832
Out-of-state travel	61,283		37,783
Registration and meeting fees	74,489		58,072
Better together symposium	-		-
Conferences and continuing education meetings	144,500		144,599
	<hr/>		<hr/>
Total travel and continuing education	346,442		299,286
	<hr/>		<hr/>
<b>PUBLIC RELATIONS</b>	28,500		31,789
	<hr/>		<hr/>
<b>COMMERCIAL INSURANCE</b>			
Liability insurance	35,320		30,282
	<hr/>		<hr/>
<b>SUPPLIES, POSTAGE, AND PRINTING</b>			
Computers, software, and supplies	195,700		135,642
General office supplies and equipment	47,650		31,953
Postage	41,225		22,200
Library supplies	500		-
Delivery supplies	66,105		67,442
Other supplies	225		835
	<hr/>		<hr/>
Total supplies, postage, and printing	351,405		258,072
	<hr/>		<hr/>
<b>TELEPHONE AND COMMUNICATIONS</b>	121,451		146,009
	<hr/>		<hr/>
<b>EQUIPMENT RENTAL, REPAIR, AND MAINTENANCE</b>			
Equipment rental	32,400		31,928
Equipment repair and maintenance agreements	108,326		75,265
	<hr/>		<hr/>
Total equipment rental, repair, and maintenance	140,726		107,193
	<hr/>		<hr/>
<b>PROFESSIONAL SERVICES</b>			
Legal	51,000		43,427
Accounting	25,000		23,162
Consulting	175,000		139,582
Payroll service fee	34,500		40,294
	<hr/>		<hr/>
Total professional services	285,500		246,465
	<hr/>		<hr/>

(This schedule is continued on the following page.)

**REACHING ACROSS ILLINOIS LIBRARY SYSTEM**

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

For the Year Ended June 30, 2017

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	<b>Final Budget</b>	<b>Actual</b>
<b>CONTRACTUAL SERVICES</b>		
Information service costs	\$ 66,375	\$ 40,002
Contract agreements with systems, member libraries, other co-ops	889,974	913,509
Outside printing services	3,000	-
Other contractual services	1,297,586	1,366,625
	<hr/>	<hr/>
Total contractual services	2,256,935	2,320,136
	<hr/>	<hr/>
<b>PROFESSIONAL ASSOCIATION MEMBERSHIP DUES</b>	8,652	9,443
	<hr/>	<hr/>
<b>MISCELLANEOUS</b>	5,850	2,408
	<hr/>	<hr/>
<b>TOTAL EXPENDITURES</b>	<u>\$ 12,393,026</u>	<u>\$ 12,283,368</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, 2017

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	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
None	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>			
Capital outlay			
Computers	-	-	7,504
Building and improvements	-	260,000	172,428
Vehicles	-	20,000	17,944
Total expenditures	-	280,000	197,876
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ (280,000)</u>	(197,876)
<b>FUND BALANCE, JULY 1</b>			<u>3,850,133</u>
<b>FUND BALANCE, JUNE 30</b>			<u><u>\$ 3,652,257</u></u>

(See independent auditor's report.)