

NORTHWEST SPECIAL RECREATION
ASSOCIATION, ILLINOIS

ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2017

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

April 5, 2018

Members of the Board of Trustees
Northwest Special Recreation Association
Rolling Meadows, Illinois

We have audited the accompanying financial statements of the Northwest Special Recreation Association, Illinois, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Association's 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. 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 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 the Association's 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 the Association's 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Northwest Special Recreation Association, Illinois, as of December 31, 2017, and the respective changes in financial 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 as listed in the table of contents and budgetary information reported in the required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northwest Special Recreation Association, Illinois', basic financial statements. The individual fund budgetary comparison schedule is presented for purposes of additional analysis and are not a required part of the financial statements.

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


LAUTERBACH & AMEN, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

Management's Discussion and Analysis December 31, 2017

Our discussion and analysis of the Northwest Special Recreation Association's ("Association") financial performance provides an overview of the Association's financial activities for the fiscal year ended December 31, 2017. Please read it in conjunction with the financial statements which begin on page 3.

FINANCIAL HIGHLIGHTS

- The Association's net position increased as a result of this year's operations by \$387,724 or 7.5 percent.
- During the year, government-wide revenues totaled \$5,115,984, while expenses totaled \$4,728,260, resulting in the increase to net position of \$387,724.
- The Association's net position totaled \$5,564,609 at December 31, 2017, which included \$4,006,965 unrestricted net position that may be used to meet the ongoing obligations to participants and creditors.
- At the fund level, a surplus was reported this year of \$149,369, resulting in ending fund balance of \$4,416,904, an increase of 3.5 percent.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 3 - 5) provide information about the activities of the Association as a whole and present a longer-term view of the Association's finances. Fund financial statements begin on page 6. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Association's operations in more detail than the government-wide statements.

Government-Wide Financial Statements

The government-wide financial statements provide readers with a broad overview of the Association's finances, in a matter similar to a private-sector business. The government wide financial statements can be found on pages 3 - 5 of this report.

The Statement of Net Position reports information on all of the Association's assets/deferred outflows and liabilities/deferred inflows, 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 the Association is improving or deteriorating. Consideration of other nonfinancial factors, such as changes in the Association's member district assessments and the condition of the Association's capital assets, is needed to assess the overall health of the Association.

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

Management's Discussion and Analysis December 31, 2017

USING THIS ANNUAL REPORT – Continued

Government-Wide Financial Statements – Continued

The Statement of Activities presents information showing how the government'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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Association, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Association is reported as one single governmental fund.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, 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 the Association'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 the comparison between governmental funds and governmental activities. The Association adopts an annual appropriated budget. A budgetary comparison schedule has been provided to demonstrate compliance with this budget.

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

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 - 31 of this report.

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

Management's Discussion and Analysis December 31, 2017

USING THIS ANNUAL REPORT – Continued

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Association's I.M.R.F. employee pension obligations and budgetary comparison schedule for the General Fund. Required supplementary information can be found on pages 32 - 34 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. The following tables show that in the case of the Association, assets/deferred outflows exceeded liabilities/deferred inflows by \$5,564,609.

	Net Position	
	2017	2016
Current Assets	\$ 4,918,353	4,805,795
Capital Assets	1,557,644	1,459,632
Total Assets	6,475,997	6,265,427
Deferred Outflows	943,754	880,976
Total Assets/ Deferred Outflows	7,419,751	7,146,403
Long-Term Debt	1,222,671	1,431,258
Other Liabilities	519,023	538,260
Total Liabilities	1,741,694	1,969,518
Deferred Inflows	113,448	-
Total Liabilities/ Deferred Inflows	1,855,142	1,969,518
Net Position		
Net Investment in Capital Assets	1,557,644	1,459,632
Unrestricted	4,006,965	3,717,253
Total Net Position	5,564,609	5,176,885

A portion of the Association's net position, \$1,557,644 or 28.0 percent, reflects its investment in capital assets (for example, building, building improvements, furniture and equipment, and vehicles). The Association uses these capital assets to provide services to program participants; consequently, these assets are not available for future spending.

The remaining 72.0 percent, or \$4,006,965, represents unrestricted net position and may be used to meet the Association's ongoing obligations to program participants and creditors.

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

Management's Discussion and Analysis December 31, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

	Changes in Net Position	
	2017	2016
Revenues		
Program Revenues		
Charges for Services	\$ 653,761	632,085
Operating Grants/Contrib.	275,000	418,664
General Revenues		
Member Contributions	4,152,137	4,197,811
Interest Income	35,086	15,718
Total Revenues	<u>5,115,984</u>	<u>5,264,278</u>
Expenses		
Special Recreation	<u>4,728,260</u>	<u>5,201,665</u>
Change in Net Position	387,724	62,613
Net Position - Beginning	<u>5,176,885</u>	<u>5,114,272</u>
Net Position - Ending	<u>5,564,609</u>	<u>5,176,885</u>

Net position of the Association increased by 7.5 percent (\$5,176,885 in 2016 compared to \$5,564,609 in 2017). Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints, totaled \$4,006,965 at December 31, 2017.

Revenues for 2017 totaled \$5,115,984, while the cost of all programs totaled \$4,728,260. This results in a surplus of \$387,724. In 2016, revenues of \$5,264,278 exceeded expenses of \$5,201,665, resulting in a surplus of \$62,613. The Association reported increases in charges for services and interest income for the year. Expenses for the 2017 fiscal year decreased \$473,405, due to the lower expenses related to IMRF net pension liability. Member contributions decreased \$45,674 or 1.1 percent.

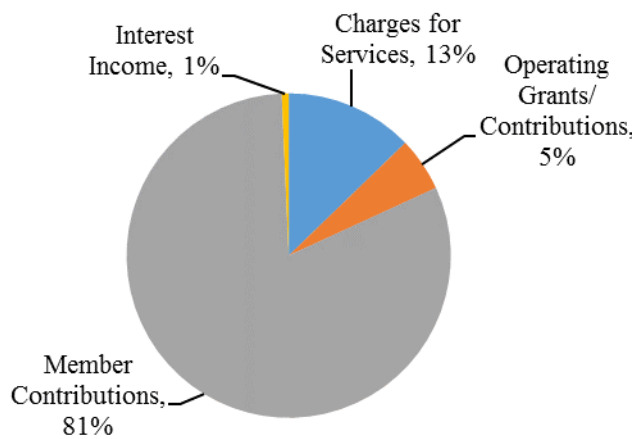
NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

**Management’s Discussion and Analysis
December 31, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

The following table graphically depicts the major revenue sources of the Association. It depicts very clearly the reliance on member contributions and program fees to fund programs. It also clearly identifies the less significant percentage the Association receives from interest earnings.

Revenues by Source - Governmental Activities



FINANCIAL ANALYSIS OF THE ASSOCIATION’S OPERATING FUND

As noted earlier, the Association uses a single governmental fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Association’s operating fund reported ending fund balance of \$4,416,904, which is \$149,369, or 3.5 percent, higher than last year’s total of \$4,267,535. Of the \$4,416,904 total, \$1,464,993, or approximately 33.2 percent, of the fund balance constitutes unassigned fund balance.

The Association reported a positive change in fund balance for the year due to revenues coming in higher than expenditures in the current year. All expenditures came in below budget, except for program and capital outlay. The Association was able to control costs during the year. These numbers are further outlined on Schedule of Revenues, Expenditures and Changes in Fund Balance on page 34.

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

Management's Discussion and Analysis December 31, 2017

BUDGETARY HIGHLIGHTS

The Association made no budget amendments during the year. Actual revenues for the year totaled \$5,115,984, compared to budgeted revenues of \$5,071,421. Program and interest income came in above budgeted amounts of \$21,878 and \$22,685, respectively.

Actual expenditures for the year were \$346,696 lower than budgeted (\$4,968,590 actual compared to \$5,315,286 budgeted) due primarily to administration and salary costs being lower than anticipated.

CAPITAL ASSETS

The Association's investment in capital assets as of December 31, 2017 was \$1,557,644 (net of accumulated depreciation). This investment in capital assets includes building, building improvements, parking lot, furniture and equipment, and vehicles.

	Capital Assets - Net of Depreciation	
	2017	2016
Building	\$ 705,038	725,158
Building Improvements	222,590	236,670
Parking Lot	33,922	37,508
Furniture and Equipment	209,169	121,432
Vehicles	386,925	338,864
Total	<u>1,557,644</u>	<u>1,459,632</u>

The Association had the following capital asset additions for the year:

Furniture and Equipment	\$ 130,611
Vehicles	<u>128,695</u>
Total	<u>259,306</u>

Additional information on the Association's capital assets can be found in note 3 on page 17 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

At the time these financial statements were prepared and audited, the Association was not aware of any existing circumstances that would adversely affect its financial health in the near future.

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

Management's Discussion and Analysis December 31, 2017

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Association's finances for all those with an interest in the Association's finances. Questions concerning any of the information provided in this report or requests for additional information should be directed to Office of the Executive Director, 3000 W Central Road, Rolling Meadows, IL 60008.

BASIC FINANCIAL STATEMENTS

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

**Statement of Net Position
December 31, 2017**

See Following Page

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

**Statement of Net Position
December 31, 2017**

	Governmental Activities	Component Unit <u>Special Leisure Services Foundation</u>
ASSETS		
Current Assets		
Cash and Investments	\$ 4,789,032	1,518,505
Receivables - Net of Allowances	13,399	40
Prepays	115,922	10
	<hr/>	<hr/>
Total Current Assets	4,918,353	1,518,555
Noncurrent Assets		
Capital Assets		
Depreciable Capital Assets	3,011,855	-
Accumulated Depreciation	(1,454,211)	-
	<hr/>	<hr/>
Total Noncurrent Assets	1,557,644	-
	<hr/>	<hr/>
Total Assets	6,475,997	1,518,555
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Items - IMRF	943,754	-
	<hr/>	<hr/>
Total Assets and Deferred Outflows of Resources	7,419,751	1,518,555
	<hr/>	<hr/>

The notes to the financial statements are an integral part of this statement.

	Governmental Activities	Component Unit Special Leisure Services Foundation
LIABILITIES		
Current Liabilities		
Accounts Payable	4,320	-
Accrued Payroll	107,111	-
Other Payables	390,018	-
Compensated Absences	17,574	-
Total Current Liabilities	519,023	-
Noncurrent Liabilities		
Compensated Absences	71,114	-
Net Pension Liability - IMRF	1,151,557	-
Total Noncurrent Liabilities	1,222,671	-
Total Liabilities	1,741,694	-
DEFERRED INFLOWS OF RESOURCES		
Deferred Items - IMRF	113,448	-
Total Liabilities and Deferred Inflows of Resources	1,855,142	-
NET POSITION		
Net Investment in Capital Assets	1,557,644	-
Temporarily Restricted	-	249,223
Unrestricted	4,006,965	1,269,332
Total Net Position	5,564,609	1,518,555

The notes to the financial statements are an integral part of this statement.

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

Statement of Activities

For the Fiscal Year Ended December 31, 2017

	Program Revenues			Net (Expenses)/ Revenues	Component Unit
	Expenses	Charges for Services	Operating Grants/ Contributions		Special Leisure Services Foundation
Governmental Activities					
Special Recreation	\$ 4,728,260	653,761	275,000	(3,799,499)	-
Component Unit					
Special Leisure Services Foundation	1,077,333	329,927	698,429	-	(48,977)
			General Revenues		
			Member Contributions	4,152,137	-
			Interest Income	35,086	144,656
				<u>4,187,223</u>	<u>144,656</u>
			Change in Net Position	387,724	95,679
			Net Position - Beginning	<u>5,176,885</u>	<u>1,422,876</u>
			Net Position - Ending	<u>5,564,609</u>	<u>1,518,555</u>

The notes to the financial statements are an integral part of this statement.

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

**Balance Sheet - Governmental Fund
December 31, 2017**

ASSETS	
Cash and Investments	\$ 4,789,032
Receivables - Net of Allowances	
Accounts	13,399
Prepays	<u>115,922</u>
 Total Assets	 <u><u>4,918,353</u></u>
 LIABILITIES	
Accounts Payable	4,320
Accrued Payroll	107,111
Other Payables	<u>390,018</u>
Total Liabilities	<u>501,449</u>
 FUND BALANCES	
Nonspendable	115,922
Assigned	2,657,642
Committed	178,347
Unassigned	<u>1,464,993</u>
Total Fund Balances	<u>4,416,904</u>
 Total Liabilities and Fund Balances	 <u><u>4,918,353</u></u>

The notes to the financial statements are an integral part of this statement.

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

**Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities
December 31, 2017**

Total Governmental Fund Balances \$ 4,416,904

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 funds. 1,557,644

Deferred outflows (inflows) of resources related to the pensions not reported in the funds.
Change in Deferred Items - IMRF 830,306

Long-term liabilities are not due and payable in the current
period and therefore are not reported in the funds.
Compensated Absences (88,688)
Net Pension Liability - IMRF (1,151,557)

Net Position of Governmental Activities 5,564,609

The notes to the financial statements are an integral part of this statement.

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

**Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund
For the Fiscal Year Ended December 31, 2017**

Revenues	
Member Contributions	\$ 4,152,137
Program	653,761
Grants and Contributions	275,000
Interest Income	35,086
Total Revenues	<u>5,115,984</u>
Expenditures	
Special Recreation	
Administration	773,008
Program	500,577
Salary	2,439,421
Liability/Audit/IMRF	570,308
ADA Compliance	464,708
Capital Outlay	220,568
Total Expenditures	<u>4,968,590</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	147,394
Other Financing Sources	
Disposal of Capital Assets	<u>1,975</u>
Net Change in Fund Balance	149,369
Fund Balance - Beginning	<u>4,267,535</u>
Fund Balance - Ending	<u><u>4,416,904</u></u>

The notes to the financial statements are an integral part of this statement.

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities**

For the Fiscal Year Ended December 31, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 149,369

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
Statement of Activities the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Capital Outlay	259,306
Depreciation Expense	(160,343)
Disposals - Cost	(75,623)
Disposals - Accumulated Depreciation	74,672

Deferred outflows (inflows) of resources related to the pensions not reported in the funds.

Change in Deferred Items - IMRF	(50,670)
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The issuance of long-term debt provides current financial resources to
governmental funds, while the repayment of the principal on long-term
debt consumes the current financial resources of the governmental funds.

Deductions to Compensated Absences	1,220
Deductions to Net Pension Liability - IMRF	<u>189,793</u>

Change in Net Position of Governmental Activities 387,724

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

Notes to the Financial Statements December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The government-wide financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the Association's accounting policies established in GAAP and used by the Association are described below.

REPORTING ENTITY

In determining the financial reporting entity, the Association complies with the provisions of GASB Statement No. 61, "The Financial Reporting Omnibus – an Amendment of GASB Statements No. 14 and No. 34," and includes all component units that have a significant operational or financial relationship with the Association.

Discretely Presented Component Unit

Discretely presented component units are separate legal entities that meet the component unit criteria described in GASB Statement No. 39 but do not meet the criteria for blending.

Special Leisure Services Foundation.

The Special Leisure Services Foundation (the Foundation) is being reported as a discretely presented component unit of the Association as it is legally separate from the Association. Separate financial statements of the Association are available by contacting the Administrative Office of the Northwest Special Recreation Association, 3000 W Central Road, Rolling Meadows, IL 60008.

BASIS OF PRESENTATION

Government-Wide Statements

The Association's basic financial statements include both government-wide (reporting the Association as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. All activities of the Association are reported as governmental activities.

In the Statement of Net Position, the Association's activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets, deferred outflows and receivables as well as long-term debt, deferred inflows and obligations. The Association's net position is reported in three parts: net investment in capital assets, restricted net position and unrestricted net position. The Association first utilizes restricted resources to finance qualifying activities.

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

Notes to the Financial Statements December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Government-Wide Statements – Continued

The government-wide Statement of Activities reports both the gross and net cost of the Association's special recreation function, which is supported by general revenues (member contributions, interest income and miscellaneous revenue). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating grants/contributions. Program revenues must be directly associated with the special recreation function. Operating grants/contributions include operating-specific grants. The net cost of the special recreation function is normally covered by the general revenues (member contributions, interest income and miscellaneous revenue).

The government-wide focus is more on the sustainability of the Association as an entity and the change in the Association's net position resulting from the current year's activities.

Fund Financial Statements

The financial transactions of the Association are reported in a single governmental fund in the fund financial statements. This fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues and expenditures. The focus of the governmental fund's measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets/deferred outflows and liabilities/deferred inflows (whether current or noncurrent) associated with their activities are reported.

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

Notes to the Financial Statements December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – Continued

Measurement Focus – Continued

All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets/deferred outflows and liabilities/deferred inflows are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability/deferred inflow is incurred or economic asset used. Revenues, expenses, gains, losses, assets/deferred outflows, and liabilities/deferred inflows resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures (including capital outlay) are recorded when the related liability is incurred. In applying the susceptible to accrual concept under the modified accrual basis, those revenues susceptible to accrual are member District contributions and program fees. All other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY

Cash and Investments

For the purpose of the Statement of Net Position, cash and cash equivalents are considered to be cash on hand, demand deposits, and cash with fiscal agent. Investments are generally reported at fair value. Short-term investments are reported at cost, which approximates fair value. For investments, the Association categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure 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; Level 3 inputs are significant unobservable inputs. All of the Association’s investments are in 2a7-like investment pools that are measured at the net asset value per share determined by the pool.

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

**Notes to the Financial Statements
December 31, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY – Continued

Receivables

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivables balances for governmental activities include member contributions, program fees, and grants.

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in both the government-wide and fund financial statements. Prepays are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type prepaids are recorded as expenditures when consumed rather than when purchased.

Capital Assets

Capital assets purchased or acquired with an original cost of more than \$500, depending on asset class, are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expenses as incurred. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. General capital assets are long-lived assets of the Association as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement costs.

Depreciation on all assets is computed and recorded using the straight-line method of depreciation over the following estimated useful lives:

Building	50 Years
Building Improvements	20 - 50 Years
Parking Lot	20 Years
Furniture and Equipment	5 - 20 Years
Vehicles	8 - 15 Years

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

Notes to the Financial Statements December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY – Continued

Deferred Outflows/Inflows of Resources

Deferred outflow/inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an outflow of resources (expense)/inflow of resources (revenue) until that future time.

Compensated Absences

The Association accrues accumulated unpaid vacation and associated employee-related costs when earned (or estimated to be earned) by the employee. In accordance with GASB Statement No. 16, no liability is recorded for nonvesting accumulation rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulated sick leave that is estimated to be taken as “terminal leave” prior to retirement.

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

It is the Association’s policy to permit employees to accumulate earned but unused vacation for an unlimited number of years. The maximum amount of days that can be accrued is the equivalent of one year’s vacation credit. Upon termination, an employee shall be paid for unused vacation time.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses at the time of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

Notes to the Financial Statements December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY – Continued

Net Position

In the government-wide financial statements, equity is classified as net position and displayed in three components, if applicable:

Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislations.

Unrestricted – All other net position balances that do not meet the definition of “restricted” or “net investment in capital assets.”

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

The Association follows these procedures in establishing the budgetary data reflected in the financial statements’

The Association Director submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

The budget is legally enacted by the Board of Trustees.

The budget may be amended by the Board of Trustees. During the year, no supplementary appropriations were necessary.

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

Notes to the Financial Statements December 31, 2017

NOTE 3 – DETAIL NOTES ON THE ASSOCIATION

DEPOSITS AND INVESTMENTS

Permitted Deposits and Investments – Statutes authorize the Association to make deposits/invest in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, obligations of States and their political subdivisions, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services and the Illinois Park District Liquid Asset Fund.

The Illinois Park District Liquid Asset Fund allows Illinois park districts, forest preserves and joint recreational programs to pool their funds for investment purposes. The Illinois Park District Liquid Asset Fund is composed of finance officials and treasurers all of whom are employees of the Illinois public agencies, which are investors in the Illinois Park District Liquid Asset Fund. Although not registered with the SEC, the Illinois Park District Liquid Asset Fund does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in the Illinois Park District Liquid Asset Fund are valued at the share price, the price for which the investment could be sold.

Concentration Risk, Custodial Credit Risk, Credit Risk and Interest Rate Risk

At year-end, the carrying amount of the Association's deposits totaled \$4,707,533 and the bank balances totaled \$4,954,058. Additionally, at year-end, the Association has \$81,499 invested in the Illinois Park District Liquid Asset Fund, which has an average maturity of less than one year.

Concentration Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the Association's investment in a single issuer. The Association's investment policy states the practice is to invest in a diversified manner and not have undue concentrations in any single investment. At year-end, the Association does not have any investments over 5 percent of cash and investments (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments).

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the Association's deposits may not be returned to it. The Association's investment policy requires pledging of collateral of all bank balances in excess of federal depository insurance with the collateral held by a third party in the Association's name. At December 31, 2017, the entire bank balance of the deposits was covered by federal depository or equivalent insurance.

For an investment, this is the risk that in the event of the failure of the counterparty, the Association will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Association's investment policy does not address custodial credit risk for investments. At December 31, 2017, the Association's investment in the Illinois Park District Liquid Asset Fund was not subject to custodial credit risk.

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

Notes to the Financial Statements December 31, 2017

NOTE 3 – DETAIL NOTES ON THE ASSOCIATION – Continued

DEPOSITS AND INVESTMENTS – Continued

Concentration Risk, Custodial Credit Risk, Credit Risk and Interest Rate Risk – Continued

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Association limits its exposure to credit risk by primarily investing in obligations guaranteed by the U.S. Government or securities issued by agencies of the U.S. Government that are explicitly or implicitly guaranteed by the U.S. Government. The Association's investment in the Illinois Park District Liquid Asset Fund is rated AAAM by Standard and Poor's.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Association's investment policy states that the investment portfolio shall maintain the necessary liquidity to enable the Association to meet all operating requirements and liabilities that may be reasonably anticipated. The Association invests its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Association and conforming to all state and local statutes governing the investment of public funds using the 'prudent person' standard for managing the overall portfolio. The primary objective of the policy is safety (preservation of capital and protection of investment principal), liquidity and yield.

CAPITAL ASSETS

The following is a summary of capital assets as of the date of this report:

	Beginning Balances	Increases	Decreases	Ending Balances
Depreciable Capital Assets				
Building	\$ 1,006,000	-	-	1,006,000
Building Improvements	335,644	-	-	335,644
Parking Lot	71,730	-	-	71,730
Furniture and Equipment	310,678	130,611	44,675	396,614
Vehicles	1,104,120	128,695	30,948	1,201,867
	<u>2,828,172</u>	<u>259,306</u>	<u>75,623</u>	<u>3,011,855</u>
Less Accumulated Depreciation				
Building	280,842	20,120	-	300,962
Building Improvements	98,974	14,080	-	113,054
Parking Lot	34,222	3,586	-	37,808
Furniture and Equipment	189,246	41,923	43,724	187,445
Vehicles	765,256	80,634	30,948	814,942
	<u>1,368,540</u>	<u>160,343</u>	<u>74,672</u>	<u>1,454,211</u>
Total Net Capital Assets	<u>1,459,632</u>	<u>98,963</u>	<u>951</u>	<u>1,557,644</u>

Depreciation expense of \$160,343 was charged to the special recreation function.

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

**Notes to the Financial Statements
December 31, 2017**

NOTE 3 – DETAIL NOTES ON THE ASSOCIATION – Continued

LONG-TERM DEBT

Long-Term Liability Activity

Changes in long-term liabilities during the fiscal year were as follows:

Type of Debt	Beginning Balances	Additions	Deductions	Ending Balances	Amounts Due within One Year
Compensated Absences	\$ 89,908	1,220	2,440	88,688	17,574
Net Pension Liability - IMRF	1,341,350	-	189,793	1,151,557	-
	<u>1,431,258</u>	<u>1,220</u>	<u>192,233</u>	<u>1,240,245</u>	<u>17,574</u>

For the governmental activities, the compensated absences and the net pension liability are liquidated by the General Fund.

FUND BALANCES/NET POSITION

Fund Balance Classifications

The following is a schedule of fund balance classifications as of the date of this report:

Fund Balances	
Nonspendable	
Prepays	<u>\$ 115,922</u>
Assigned	<u>2,657,642</u>
Committed	<u>178,347</u>
Unassigned	<u>1,464,993</u>
Total Fund Balances	<u><u>4,416,904</u></u>

In the governmental funds financial statements, the Association considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The Association first utilizes assigned, then committed and then unassigned fund balance when an expenditure is incurred for purposes for which all three unrestricted fund balances are available.

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

**Notes to the Financial Statements
December 31, 2017**

NOTE 3 – DETAIL NOTES ON THE ASSOCIATION – Continued

FUND BALANCES/NET POSITION – Continued

Fund Balance Classifications – Continued

Nonspendable Fund Balance. Consists of resources that cannot be spent because they are either: a) not in a spendable form; or b) legally or contractually required to be maintained intact.

Restricted Fund Balance. Consists of resources that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance. Consists of resources constrained (issuance of an ordinance) to specific purposes by the government itself, using its highest level of decision-making authority, the Board of Trustees; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

Assigned Fund Balance. Consists of amounts that are constrained by the Board of Trustees’ intent to be used for specific purposes but are neither restricted nor committed. Intent is expressed by a) the Board of Trustees itself or b) a body or official to which the Board of Trustees has delegated the authority to assign amounts to be used for specific purposes. The Association’s highest level of decision-making authority is the Board of Trustees, who is authorized to assign amounts to a specific purpose.

Unassigned Fund Balance. Consists of residual net resources of a fund that has not been restricted, committed, or assigned within the General Fund and deficit fund balances of other governmental funds.

Minimum Fund Balance Policy. The Association policy manual states that the assigned fund balance should represent 25% of annual expenses and committed fund balance should represent three years rolling average of total budgeted capital expenditures.

Net Position Classifications

Net investment in capital assets was comprised of the following as of December 31, 2017:

Governmental Activities	
Capital Assets - Net of Accumulated Depreciation	<u>\$ 1,557,644</u>

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

Notes to the Financial Statements December 31, 2017

NOTE 4 – OTHER INFORMATION

MEMBER CONTRIBUTIONS

Contributions received from members during the 2017 fiscal year were:

Members	Amounts
Arlington Heights	\$ 531,834
Bartlett	240,551
Buffalo Grove	320,679
Elk Grove Village	309,812
Hanover Park	144,618
Hoffman Estates	298,191
Inverness	40,628
Mount Prospect	338,098
Palatine	471,569
Prospect Heights	75,152
River Trails	97,417
Rolling Meadows	130,295
Salt Creek Rural	34,549
Schaumburg	650,167
South Barrington	77,547
Streamwood	174,257
Wheeling	216,773
	<u>4,152,137</u>

RISK MANAGEMENT

Park District Risk Management Agency (PDRMA)

The Association is exposed to various risks related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and net income losses. Since June 1, 1985, the Association has been a member of the Park District Risk Management Agency (PDRMA) Property/Casualty Program, a joint risk management pool of park and forest preserve Associations, and special recreation associations through which property, general liability, automobile liability, crime, boiler and machinery, public officials', employment practices liability and workers compensation coverage is provided in excess of specified limits for the members, acting as a single insurable unit. The following table is a summary of the coverage in effect for the period January 1, 2017 through January 1, 2018:

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

**Notes to the Financial Statements
December 31, 2017**

NOTE 4 – OTHER INFORMATION – Continued

RISK MANAGEMENT – Continued

Park District Risk Management Agency (PDRMA) – Continued

Coverage	Member Deductible	PDRMA Self-Insured Retention	Limits
PROPERTY			
Property/Bldg/Contents			
All Losses Per Occurrence	\$1,000	\$1,000,000	\$1,000,000,000/All Members Declaration 11
Flood/Except Zones A & V	\$1,000	\$1,000,000	\$250,000,000/Occurrence/Annual Aggregate
Flood, Zones A & V	\$1,000	\$1,000,000	\$200,000,000/Occurrence/Annual Aggregate
Earthquake Shock	\$1,000	\$100,000	\$100,000,000/Occurrence/Annual Aggregate
Auto Physical Damage			
Comprehensive and Collision	\$1,000	\$1,000,000	Included
Course of Construction	\$1,000	Included	\$25,000,000
Business Interruption, Rental			
Income, Tax Income Combined	\$1,000		\$100,000,000/Reported Values
			\$500,000/\$2,500,000/Non-Reported Values
Service Interruption	24 Hours	N/A	\$25,000,000
Boiler and Machinery			\$100,000,000 Equipment Breakdown
Property Damage	\$1,000	\$9,000	Property Damage - Included
Business Income	48 Hours	N/A	Included
Fidelity and Crime	\$1,000	\$24,000	\$2,000,000/Occurrence
Seasonal Employees	\$1,000	\$9,000	\$1,000,000/Occurrence
Blanket Bond	\$1,000	\$24,000	\$2,000,000/Occurrence
WORKERS COMPENSATION			
Employers Liability	N/A	\$500,000	Statutory
		\$500,000	\$3,500,000 Employers Liability
LIABILITY			
General	None	\$500,000	\$21,500,000/Occurrence
Auto Liability	None	\$500,000	\$21,500,000/Occurrence
Employment Practices	None	\$500,000	\$21,500,000/Occurrence
Public Officials' Liability	None	\$500,000	\$21,500,000/Occurrence
Law Enforcement Liability	None	\$500,000	\$21,500,000/Occurrence
Uninsured/Underinsured Motorists	None	\$500,000	\$1,000,000/Occurrence
POLLUTION LIABILITY			
Liability - Third Party	None	\$25,000	\$5,000,000/Occurrence
Property - First Party	\$1,000	\$24,000	\$30,000,000 3 Year Aggregate
OUTBREAK EXPENSE			
Outbreak Expense	24 Hours	N/A	\$15,000 per Day
			\$1,000,000 Aggregate Policy Limit

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

**Notes to the Financial Statements
December 31, 2017**

NOTE 4 – OTHER INFORMATION – Continued

RISK MANAGEMENT – Continued

Park Association Risk Management Agency (PDRMA) – Continued

Coverage	Member Deductible	PDRMA Self-Insured Retention	Limits
VOLUNTEER MEDICAL ACCIDENT			
Volunteer Medical Accident	None	\$5,000	\$5,000 Medical Expense
			of any other Collectible Insurance
UNDERGROUND STORAGE TANK LIABILITY			
Underground Storage Tank Liability	None	N/A	\$10,000, Follows Illinois Leaking
			Underground Tank Fund
UNEMPLOYMENT COMPENSATION			
Unemployment Compensation	N/A	N/A	Statutory
INFORMATION SECURITY AND PRIVACY INSURANCE WITH ELECTRONIC MEDIA			
LIABILITY COVERAGE			
Information Security & Privacy			
Liability	None	\$100,000	\$2,000,000/Occurrence/Annual Aggregate
Privacy Notification, Costs	None	\$100,000	\$500,000/Occurrence/Annual Aggregate
Regulatory Defense & Penalties	None	\$100,000	\$2,000,000/Occurrence/Annual Aggregate
Website Media Content Liability	None	\$100,000	\$2,000,000/Occurrence/Annual Aggregate
Cyber Extortion	None	\$100,000	\$2,000,000/Occurrence/Annual Aggregate
Data Protection & Business			
Interruption	\$1,000	\$100,000	\$2,000,000/Occurrence/Annual Aggregate
First Party Business Interruption	8 Hours	\$100,000	\$50,000 Hourly Sublimit/\$50,000 Forensic
			Exp./\$150,000 Dependent Bus. Interruption

Losses exceeding the per occurrence self-insured and reinsurance limit would be the responsibility of the Association.

As a member of PDRMA’s Property/Casualty Program, the Association is represented on the Property/Casualty Program Council and the Membership Assembly and is entitled to one vote on each. The relationship between the Association and PDRMA is governed by a contract and by-laws that have been adopted by resolution of the Association’s governing body.

The Association is contractually obligated to make all annual and supplementary contributions to PDRMA, to report claims on a timely basis, cooperate with PDRMA, its claims administrator and attorneys in claims investigations and settlement, and to follow risk management procedures as outlined by PDRMA. Members have a contractual obligation to fund any deficit of PDRMA attributable to a membership year during which they were a member.

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

**Notes to the Financial Statements
December 31, 2017**

RISK MANAGEMENT – Continued

Park Association Risk Management Agency (PDRMA) – Continued

PDRMA is responsible for administering the self-insurance program and purchasing excess insurance according to the direction of the Program Council. PDRMA also provides its members with risk management services, including the defense of and settlement of claims, and establishes reasonable and necessary loss reduction and prevention procedures to be followed by the members.

The following represents a summary of PDRMA’s Property/Casualty Program balance sheet at December 31, 2016 and the statement of revenues and expenses for the period ending December 31, 2016:

Assets	\$62,209,572
Deferred Outflows of Resources – Pension	1,117,312
Liabilities	23,580,657
Deferred Inflows of Resources – Pension	34,088
Total Net Position	39,712,139
Revenues	20,508,977
Expenditures	21,505,049

The Association’s portion of the overall equity in the pool is 0.596% or \$236,868.

Since 92.44% of PDRMA’s liabilities are reserves for losses and loss adjustment expenses which are based on an actuarial estimate of the ultimate losses incurred, the Net Position is impacted annually as more recent loss information becomes available.

Park District Risk Management Agency (PDRMA) Health Program

On August 1, 1992, the Association became a member of the Park District Risk Management Agency (PDRMA) Health Program, a health benefits pool of park districts, special recreation associations, and public service organizations through which medical, vision, dental, life and prescription drug coverages are provided in excess of specified limits for the members, acting as a single insurable unit. The pool purchases excess insurance covering single claims over \$250,000. Until January 1, 2001 the PDRMA Health Program was a separate legal entity formerly known as the Illinois Park Employees Health Network (IPEHN).

Members can choose to provide any combination of coverages available to their employees and pay premiums accordingly.

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

Notes to the Financial Statements December 31, 2017

NOTE 4 – OTHER INFORMATION – Continued

RISK MANAGEMENT – Continued

Park District Risk Management Agency (PDRMA) Health Program – Continued

As a member of the PDRMA Health Program, the Association is represented on the Health Program Council as well as the Membership Assembly and is entitled to one vote on each. The relationship between the member agency and PDRMA Health Program is governed by a contract and by-laws that have been adopted by a resolution of each member's governing body. Members are contractually obligated to make all monthly payments to the PDRMA Health Program and to fund any deficit of the PDRMA Health Program upon dissolution of the pool. They will share in any surplus of the pool based on a decision by the Health Program Council.

The following represents a summary of PDRMA's Health Program balance sheet at December 31, 2016 and the statement of revenues and expenses for the period ending December 31, 2016:

Assets	\$19,963,703
Deferred Outflows of Resources – Pension	472,756
Liabilities	5,609,725
Deferred Inflows of Resources – Pension	14,609
Total Net Pension	14,812,125
Revenues	37,086,143
Expenditures	34,157,556

A large percentage of PDRMA's liabilities are reserves for losses and loss adjustment expenses, which are based on an actuarial estimate of the ultimate losses incurred.

CONTINGENT LIABILITIES

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Association expects such amounts, if any, to be immaterial.

Litigation

The Association is currently not involved in any lawsuits.

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

Notes to the Financial Statements December 31, 2017

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN

Illinois Municipal Retirement Fund (IMRF)

The Association contributes to Illinois Municipal Retirement Fund (IMRF), a defined benefit agent multiple-employer public employee retirement system. IMRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole, but not by individual employer. That report may be obtained online at www.imrf.org. The benefits, benefit levels, employee contributions, and employer contributions are governed by Illinois Compiled Statutes (ILCS) and can only be amended by the Illinois General Assembly.

Plan Descriptions

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.

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

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

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

Notes to the Financial Statements December 31, 2017

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

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

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

Plan Membership. As of December 31, 2016, the measurement date, the following employees were covered by the benefit terms:

Inactive Plan Members Currently Receiving Benefits	18
Inactive Plan Members Entitled to but not yet Receiving Benefits	53
Active Plan Members	<u>40</u>
Total	<u><u>111</u></u>

Contributions. As set by statute, the Association's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. For the year-ended December 31, 2016, the Association's contribution was 13.35% of covered payroll.

Net Pension Liability. The Association's net pension liability was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation performed, as of December 31, 2016, using the following actuarial methods and assumptions:

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

Notes to the Financial Statements December 31, 2017

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Plan Descriptions – Continued

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation performed, as of December 31, 2016, using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market
Actuarial Assumptions	
Interest Rate	7.50%
Salary Increases	3.75% to 14.50%
Cost of Living Adjustments	2.75%
Inflation	2.75%

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 tables 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.

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

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

Notes to the Financial Statements December 31, 2017

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Plan Descriptions – Continued

Actuarial Assumptions – Continued.

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed Income	27.00%	3.00%
Domestic Equities	38.00%	6.85%
International Equities	17.00%	6.75%
Real Estate	8.00%	5.75%
Blended	9.00%	2.65% - 7.35%
Cash and Cash Equivalents	1.00%	2.25%

Discount Rate

The discount rate used to measure the total pension liability was 7.50%, the same as the prior valuation. 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 Association contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all project future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

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 pension liability of the Association calculated using the discount rate as well as what the Association's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	\$ 2,568,306	1,151,557	28,425

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

Notes to the Financial Statements December 31, 2017

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2015	\$ 10,073,841	8,732,491	1,341,350
Changes for the Year:			
Service Cost	189,383	-	189,383
Interest on the Total Pension Liability	750,145	-	750,145
Difference Between Expected and Actual Experience of the Total Pension Liability	(144,140)	-	(144,140)
Contributions - Employer	-	256,819	(256,819)
Contributions - Employees	-	86,569	(86,569)
Net Investment Income	-	610,206	(610,206)
Benefit Payments, including Refunds of Employee Contributions	(333,210)	(333,210)	-
Other (Net Transfer)	-	31,587	(31,587)
Net Changes	462,178	651,971	(189,793)
Balances at December 31, 2016	10,536,019	9,384,462	1,151,557

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2017, the Association recognized pension expense of \$117,696. At December 31, 2016, the Association reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

**Notes to the Financial Statements
December 31, 2017**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – Continued

	Deferred Outflows of Resources	Deferred Inflows of Resources	Totals
Difference Between Expected and Actual Experience	\$ 132,241	(113,448)	18,793
Change in Assumptions	91,866	-	91,866
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	448,840	-	448,840
Total Pension Expense to be Recognized in Future Periods	672,947	(113,448)	559,499
Pension Contributions Made Subsequent to the Measurement Date	270,807	-	270,807
Total Deferred Amounts Related to IMRF	<u>943,754</u>	<u>(113,448)</u>	<u>830,306</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Fiscal Year	Net Deferred Outflows/ (Inflows) of Resources
2018	\$ 223,634
2019	219,124
2020	128,852
2021	(12,111)
2022	-
Thereafter	-
Totals	<u>559,499</u>

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

Notes to the Financial Statements December 31, 2017

NOTE 4 – OTHER INFORMATION – Continued

PREPAID RENT AND RENT EXPENSE

On April 1, 2017, the Association entered into an agreement with Rolling Meadows Park District to lease programming and office space for the period beginning April 1, 2017 and ending March 31, 2020. The lease calls for annual rent payments of \$47,055, totaling \$141,164, to be paid upon commencement of the lease. The Association paid this lease expense effective April 1, 2017. As a result, the Association recognized a grant of \$47,055 from the Foundation and prepaid rent of \$11,764 for the year ended December 31, 2016. During the year ended December 31, 2017 the Association recognized rent expense of \$47,055 and has a prepaid balance of \$112,846 remaining.

OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits, the Association provides certain health care insurance benefits for retired employees. In accordance with the personnel policy substantially all of the Association's employees may become eligible for those benefits if they reach normal retirement age while working for the Association. The retirees pay 100 percent of the annual premium for health insurance. The Association's health insurance provider, PDRMA utilizes community based rates, which adjust for the demographics of the Association's pool of participants, including age, etc. Therefore, there is no implicit subsidy to calculate in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Additionally, the Association does not provide an explicit benefit to employees. Therefore, the Association has not recorded a liability as of December 31, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Schedule of Employer Contributions
Illinois Municipal Retirement Fund
- Schedule of Changes in the Employer's Net Pension Liability
Illinois Municipal Retirement Fund
- Budgetary Comparison Schedule
General Fund

Notes to the Required Supplementary Information

Budgetary Information – Budgets are adopted on a cash basis which does not differ materially from the modified accrual basis which is consistent with generally accepted accounting principles.

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

Illinois Municipal Retirement Fund

**Required Supplementary Information
Schedule of Employer Contributions
December 31, 2017**

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 248,478	\$ 249,289	\$ 811	\$ 1,921,715	12.97%
2015	258,410	258,410	-	1,947,331	13.27%
2016	256,819	256,819	-	1,923,745	13.35%

Notes to the Required Supplementary Information:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % Payroll (Closed)
Remaining Amortization Period	27 Years
Asset Valuation Method	5-Year Smoothed Market
Inflation	2.75%
Salary Increases	3.75% - 14.50%
Investment Rate of Return	7.50%
Retirement Age	See the Notes to the Financial Statements
Mortality	IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012)

Note:

This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

Illinois Municipal Retirement Fund

**Required Supplementary Information
Schedule of Changes in the Employer's Net Pension Liability
December 31, 2017**

	12/31/14	12/31/15	12/31/16
Total Pension Liability			
Service Cost	\$ 214,433	200,686	189,383
Interest	630,905	695,179	750,145
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	85,847	168,795	(144,140)
Change of Assumptions	234,615	-	-
Benefit Payments, Including Refunds of Member Contributions	(284,835)	(319,054)	(333,210)
Net Change in Total Pension Liability	880,965	745,606	462,178
Total Pension Liability - Beginning	8,447,270	9,328,235	10,073,841
 Total Pension Liability - Ending	 9,328,235	 10,073,841	 10,536,019
Plan Fiduciary Net Position			
Contributions - Employer	\$ 249,289	258,410	256,819
Contributions - Members	86,890	87,630	86,569
Net Investment Income	497,239	43,664	610,206
Benefit Payments, Including Refunds of Member Contributions	(284,835)	(319,054)	(333,210)
Administrative Expense	44,863	(57,394)	31,587
Net Change in Plan Fiduciary Net Position	593,446	13,256	651,971
Plan Net Position - Beginning	8,125,789	8,719,235	8,732,491
 Plan Net Position - Ending	 8,719,235	 8,732,491	 9,384,462
 Employer's Net Pension Liability	 \$ 609,000	 1,341,350	 1,151,557
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 93.47%	 86.68%	 89.07%
 Covered Payroll	 \$ 1,921,715	 1,947,331	 1,923,745
 Employer's Net Pension Liability as a Percentage of Covered Payroll	 31.69%	 68.88%	 59.86%

Note:

This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Member Contributions	\$ 4,152,137	4,152,137	4,152,137	-
Program	631,883	631,883	653,761	21,878
Grants and Contributions	275,000	275,000	275,000	-
Interest Income	12,401	12,401	35,086	22,685
Total Revenues	<u>5,071,421</u>	<u>5,071,421</u>	<u>5,115,984</u>	<u>44,563</u>
Expenditures				
Special Recreation				
Administration	971,617	971,617	773,008	198,609
Program	487,014	487,014	500,577	(13,563)
Salary	2,565,624	2,565,624	2,439,421	126,203
Liability/Audit/IMRF	601,946	601,946	570,308	31,638
ADA Compliance	496,145	496,145	464,708	31,437
Capital Outlay	192,940	192,940	220,568	(27,628)
Total Expenditures	<u>5,315,286</u>	<u>5,315,286</u>	<u>4,968,590</u>	<u>346,696</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(243,865)	(243,865)	147,394	391,259
Other Financing Sources				
Disposal of Capital Assets	2,000	2,000	1,975	(25)
Net Change in Fund Balance	<u>(241,865)</u>	<u>(241,865)</u>	149,369	<u>391,234</u>
Fund Balance - Beginning			<u>4,267,535</u>	
Fund Balance - Ending			<u>4,416,904</u>	

OTHER SUPPLEMENTARY INFORMATION

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

**Schedule of Expenditures - Budget and Actual
For the Fiscal Year Ended December 31, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
Special Recreation				
Administration				
Professional Fees	\$ 12,480	12,480	8,809	3,671
Office Supplies	2,910	2,910	4,053	(1,143)
Credit Card and Bank Fees	8,400	8,400	8,369	31
Postage	7,560	7,560	7,634	(74)
Telephone/Fax	10,050	10,050	10,544	(494)
Conferences/Education	27,507	27,507	37,461	(9,954)
Membership Dues	15,164	15,164	15,306	(142)
Health Insurance	589,455	589,455	465,242	124,213
Maintenance/Utilities	47,806	47,806	35,547	12,259
Rent	179,780	179,780	74,265	105,515
Computer Contracts	70,505	70,505	105,778	(35,273)
Total Administration	971,617	971,617	773,008	198,609
Program				
Program Rental - Municipal	31,341	31,341	27,320	4,021
Program Rental - Commercial	135,060	135,060	127,464	7,596
Program Development	6,000	6,000	10,475	(4,475)
Program Expendable Supplies	41,304	41,304	63,229	(21,925)
Transportation - Leased	79,684	79,684	79,120	564
Transportation - Program Staff	17,500	17,500	21,620	(4,120)
Transportation - Maintenance	76,375	76,375	66,042	10,333
Transportation - Gasoline	48,000	48,000	42,933	5,067
Program Printing	41,600	41,600	48,024	(6,424)
Public Awareness	10,150	10,150	14,350	(4,200)
Total Program	487,014	487,014	500,577	(13,563)
Salary				
Participating - Full-Time	2,067,033	2,067,033	1,997,930	69,103
Participating - Part-Time	462,025	462,025	407,685	54,340
Payroll Processing	28,766	28,766	26,006	2,760
Car Allowance	7,800	7,800	7,800	-
Total Salary	2,565,624	2,565,624	2,439,421	126,203

NORTHWEST SPECIAL RECREATION ASSOCIATION, ILLINOIS

**Schedule of Expenditures - Budget and Actual - Continued
For the Fiscal Year Ended December 31, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
Special Recreation - Continued				
Liability/Audit/IMRF				
Liability/PDRMA Insurance	\$ 85,469	85,469	89,174	(3,705)
Audit	6,000	6,000	6,000	-
FICA	231,428	231,428	204,327	27,101
IMRF	279,049	279,049	270,807	8,242
Total Liability/Audit/IMRF	601,946	601,946	570,308	31,638
ADA Compliance	496,145	496,145	464,708	31,437
Total Special Recreation	5,122,346	5,122,346	4,748,022	374,324
Capital Outlay	192,940	192,940	220,568	(27,628)
Total Expenditures	5,315,286	5,315,286	4,968,590	346,696