LINCOLNWAY SPECIAL RECREATION ASSOCIATION NEW LENOX, ILLINOIS

ANNUAL FINANCIAL REPORT

For the Year Ended May 31, 2019

LINCOLNWAY SPECIAL RECREATION ASSOCIATION
NEW LENOX, ILLINOIS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lincolnway Special
Recreation Association
New Lenox, Illinois

We have audited the financial statements of the governmental activities, the discretely presented component unit, and the major fund of the Lincolnway Special Recreation Association, New Lenox, Illinois (the Association) as of and for the year ended May 31, 2019, and the related notes to 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 from 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 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and the major fund of the Lincolnway Special Recreation, New Lenox, Illinois as of May 31, 2019, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

<u>Change in Reporting Entity</u>

In accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, the Association has included the Lincolnway Special Recreation Foundation as a discretely presented component unit. Our opinion is not modified with respect to this matter.

<u>Change in Accounting Principle</u>

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lincolnway Special Recreation Association's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was 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.

Sikich LLP

Naperville, Illinois
May 1, 2020

LINCOLNWAY SPECIAL RECREATION ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2019

The Lincolnway Special Recreation Association (the "Association") management's discussion and analysis is designed to: (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the Association's financial activity, (3) identify changes in the Association's financial position (its ability to address the next and subsequent year challenges), (4) identify any material deviations from the financial plan (the approved budget) and (5) identify individual fund issues or concerns.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Since the MD&A is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Association's financial statements (beginning on page 4.)

Financial Highlights

The Association's financial status continues to be strong. The Association concluded the year with a positive balance of $3,894,658. Overall, revenues this past year were $2,135,407 and expenses were $1,985,536 for a postive change in net position of $149,871. Arrangements with partner Park Districts allow for solid cash flow, and the state legislature removed the special recreation tax from the tax caps allowing member districts to increase their levies which fund member agency contributions.

Total net position increased slightly from $3,744,787 (as restated) to $3,894,658 over the course of the year.

Member Agency contributions assessed and collected were $913,053 compared to the prior year of $762,028 for an increase of $151,025.

Recreation program registrations increased over the past year from $677,783 to $845,568 an increase of $167,785 from the prior year.

The Association continues to have the ability to devote resources toward improving and expanding its programs and facilities. In 2019, $348,131 was spent on capital assets for the Association.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Association's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. The Association also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Association's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Association's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Position. This is the statement of position presenting information that includes all of the Association's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference 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 as a whole is improving or deteriorating. Evaluation of the overall health of the Association would extend to other non-financial factors such as diversification of the partner base or the condition of the Association's infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the Statement of Activities which reports how the Association's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statements of activities is to show the financial reliance of the Association's distinct activities or functions on revenues provided by the Association's partner agencies.

Governmental activities include culture and recreation.

The government-wide financial statements are presented on pages 4-5 of this report.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Association uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Association's flow of financial resources rather than the Association as a whole.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 10 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Association's progress in funding its obligation to provide pension benefits to its employees and budgetary comparison statements for the general fund. These statements and schedules demonstrate compliance with the Association's adopted annual appropriated budget. Required supplementary information can be found beginning on page 31 of this report.

Government-wide Financial Analysis

The Association's combined net position increased from $3,744,787 (as restated) to $3,894,658 as a result of operations and adjustments made in 2019.

Lincolnway Special Recreation Association
Statement of Net Position
May 31, 2019 and 2018

	2019	2018	2017
Current and Other Assets	$ 226,053	$ 247,330	$ 660,393
Capital Assets	4,399,212	4,217,682	4,163,598
Total Assets	4,625,265	4,465,012	4,823,991
Deferred Outflows	217,262	174,151	122,217
Current and Other Liabilities	185,774	316,085	447,788
Non-Current Liabilities	696,100	451,423	545,104
Total Liabilities	881,874	767,508	1,022,892
Deferred Inflows	65,995	89,256	9,397
Net Position:			
Invested in Capital Assets	4,057,893	3,804,133	3,613,223
Restricted	-	125,000	225,000
Unrestricted	(163,235)	(146,734)	75,696
Total Net Position	$ 3,894,658	$ 3,782,399	$ 3,913,919

Lincolnway Special Recreation Association
Changes in Net Position
May 31, 2019 and 2018

	2019	2018
Revenues		
Member District Contributions	$ 913,053	$ 762,028
Program Revenues	845,568	677,783
Grants and Donations	363,437	196,777
Investment Income	1,605	2,766
Miscellaneous Income	3,453	2,947
Marketing and Outreach Income	8,291	0
Total Revenues	2,135,407	1,642,301
Expenses		
Operating	1,970,227	1,566,732
Interest Expense	15,309	15,618
Total Expenses	1,985,536	1,582,350
Change in Net Position	$ 149,871	$ (131,520)

Financial Analysis of the Association's Fund

Major Business Type Fund

Total fund balance of the Association's decreased by $18,047 in 2019.

General Fund Budgetary Highlights

During the 2019 Budget year, the Association did not revise the annual operating budget.

Revenues were $2,135,407 which was $130,536 over (favorable) budget. Expenditures were $2,350,689, which was $334,178 over (unfavorable) budget. The net budget variance was an unfavorable $6,407.

Capital Asset and Debt Administration

Capital Assets

The Association's investment in capital assets, net of accumulated depreciation for governmental activities as of May 31, 2019 and 2018 was $4,407,887 and $4,217,682, respectively, as summarized below:

	2019	2018
Construction in Progress	$ 8,675	$ 8,675
Buildings, Net	3,918,841	3,878,978
Vehicles, Net	190,564	31,449
Furniture & Fixtures, Net	3,481	4,508
Improvements, Net	229,048	246,420
Office Equipment, Net	57,278	47,652
Capital Assets, net	$ 4,407,887	$ 4,217,682

Debt Administration

As of May 31, 2019, the Association has $341,319 of debt certificates, inclusive of premiums outstanding, of which $80,000 is due currently. These debt certificates were issued during the year ended May 31, 2013. Debt certificates of $420,000 and bond premiums of $1,319 were outstanding as of May 31, 2019. Additionally, the Association reports a capital lease liability of $129,022 as of May 31, 2019 with $63,310 due currently.

Factors Bearing on the Association's Future

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.

The COVID-19 outbreak in the United States has caused business disruption to Association operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. The Association is reviewing how this matter may impact its operating results. However, any related financial impact and the duration cannot be reasonably estimated at this time.

Contacting the Association

This financial report is designed to provide a general overview of the Association's finances, comply with finance related laws and regulations and demonstrate the Association's commitment to public accountability. If you have any questions about this report or would like to request additional information please contact Keith Wallace, Executive Director, Lincolnway Special Recreation Association, 1900 Heather Glen Drive, New Lenox, IL 60451.

BASIC FINANCIAL STATEMENTS

LINCOLNWAY SPECIAL RECREATION ASSOCIATION
NEW LENOX, ILLINOIS

STATEMENT OF NET POSITION

May 31, 2019

	Primary Government Governmental Activities	Component Unit Lincolnway Special Recreation Foundation
ASSETS		
Cash and investments	$ 217,378	$ 78,213
Capital assets not being depreciatied	8,675	-
Capital assets (net of accumulated depreciation)	4,399,212	-
Total assets	4,625,265	78,213
DEFERRED OUTFLOWS OF RESOURCES		
Pension items - IMRF	217,262	-
Total deferred outflows of resources	217,262	-
Total assets and deferred outflows of resources	4,842,527	78,213
LIABILITIES		
Accounts payable	59,550	-
Accrued payroll	28,553	-
Unearned revenue	94,182	-
Accrued interest payable	3,489	
Long-term liabilities		
Due within one year	149,237	-
Due in more than one year	546,863	-
Total liabilities	881,874	-
DEFERRED INFLOWS OF RESOURCES		
Pension items - IMRF	63,541	-
OPEB items	2,454	-
Total deferred inflows of resources	65,995	-
Total liabilities and deferred inflows of resources	947,869	-
NET POSITION		
Net investment in capital assets	4,057,893	-
Unrestricted	(163,235)	78,213
TOTAL NET POSITION	$ 3,894,658	$ 78,213

See accompanying notes to financial statements.

LINCOLNWAY SPECIAL RECREATION ASSOCIATION
NEW LENOX, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended May 31, 2019

		Program Revenues			Net (Expense) Revenue and Change in Net Position — Primary Government	Component Unit
FUNCTIONS/PROGRAMS	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Total Governmental Activities**	**Lincolnway Special Recreation Foundation**
PRIMARY GOVERNMENT						
Governmental Activities						
Culture and recreation	$ 1,970,227	$ 845,568	$ 1,284,781	$ -	$ 160,122	$ -
Interest	15,309	-	-	-	(15,309)	-
Total governmental activities	1,985,536	845,568	1,284,781	-	144,813	-
TOTAL PRIMARY GOVERNMENT	$ 1,985,536	$ 845,568	$ 1,284,781	$ -	144,813	-
COMPONENT UNIT						
Lincolnway Special Recreation Foundation	$ 287,838	$ -	$ 120,837	$ -	-	(167,001)
			General Revenues			
			Investment income		1,605	-
			Miscellaneous		3,453	-
			Total		5,058	-
			CHANGE IN NET POSITION		149,871	(167,001)
			NET POSITION, JUNE 1		3,782,399	245,214
			Prior period adjustment		(37,612)	-
			NET POSITION, JUNE 1, RESTATED		3,744,787	245,214
			NET POSITION, MAY 31		$ 3,894,658	$ 78,213

See accompanying notes to financial statements.

LINCOLNWAY SPECIAL RECREATION ASSOCIATION
NEW LENOX, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUND

May 31, 2019

	General Fund
ASSETS	
Cash and investments	$ 217,378
TOTAL ASSETS	$ 217,378
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	$ 59,550
Accrued payroll	28,553
Unearned revenue	94,182
Total liabilities	182,285
FUND BALANCE	
Unrestricted	
Assigned	35,093
Total fund balance	35,093
TOTAL LIABILITIES AND FUND BALANCE	$ 217,378

See accompanying notes to financial statements.

LINCOLNWAY SPECIAL RECREATION ASSOCIATION
NEW LENOX, ILLINOIS

RECONCILIATION OF FUND BALANCE OF THE GOVERNMENTAL FUND TO THE GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION

May 31, 2019

FUND BALANCE OF GOVERNMENTAL FUND	$	35,093
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 fund		4,407,887
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Debt certificates		(341,319)
Capital lease		(129,022)
Compensated absences		(5,927)
Accrued interest		(3,489)
Net pension liability for the Illinois Municipal Retirement Fund is shown as a liability on the statement of net position		(189,813)
The total OPEB liability is reported only on the statement of net position		(30,019)
Differences between expected and actual experiences, assumption changes, and net differences between projected and actual earnings for the Illinois Municipal Retirement Fund are recognized as deferred inflows of resources on the statement of net position		(63,541)
Differences between expected and actual experiences, assumption changes, net differences between projected and actual earnings, and contributions subsequent to the measurement date for the Illinois Municipal Retirement Fund are recognized as deferred outflows of resources on the statement of net position		217,262
Differences between assumption changes for OPEB are reported as deferred outflows of resources on the statement of net position		(2,454)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$	3,894,658

See accompanying notes to financial statements.

LINCOLNWAY SPECIAL RECREATION ASSOCIATION
NEW LENOX, ILLINOIS

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND

For the Year Ended May 31, 2019

	General Fund
REVENUES	
Member district contributions	$ 913,053
Charges for services	845,568
Investment income	1,605
Donations	363,437
Marketing and outreach income	8,291
Miscellaneous	3,453
Total revenues	2,135,407
EXPENDITURES	
Current	
Culture and recreation	2,189,326
Debt service	
Principal	148,213
Interest	13,150
Total expenditures	2,350,689
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(215,282)
OTHER FINANCING SOURCES	
Issuance of capital lease	197,235
Total other financing sources	197,235
NET CHANGE IN FUND BALANCE	(18,047)
FUND BALANCE, JUNE 1	12,245
Prior period adjustment	40,895
FUND BALANCE, JUNE 1 (RESTATED)	53,140
FUND BALANCE, MAY 31	$ 35,093

See accompanying notes to financial statements.

LINCOLNWAY SPECIAL RECREATION ASSOCIATION
NEW LENOX, ILLINOIS

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

For the Year Ended May 31, 2019

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND	$ (18,047)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures; however, they are capitalized and depreciated in the statement of activities	348,131
The amortization of premiums is reported as interest expense on the statement of activities	330
The issuance of long-term debt is reported as an other financing source when due in governmental funds but as an increase in principal outstanding on the statement of net position	
Capital lease payable	(197,235)
The repayment of long-term debt is reported as an expenditure in governmental funds but as a reduction of principal on the government-wide financial statements	148,213
The change in interest payable is reported only on the statement of activities	(2,489)
The change in net pension liability for the Illinois Municipal Retirement Fund is reported only in the statement of activities	(71,939)
The change in total OPEB liability is reported only in the statement of activities	(13,694)
The change in deferred inflows and outflows of resources for Illinois Municipal Retirement Fund is reported only in the statement of activities	68,826
The change in deferred outflows of resources for OPEB is reported only in the statement of activities	10,733
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	(157,926)
The change in compensated absences payable is shown as an expense on the statement of activities	34,968
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 149,871

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Lincolnway Special Recreation Association, New Lenox, Illinois (the Association) 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. The more significant of the Association's accounting policies are described below.

a. Reporting Entity

The Association is duly organized and existing under an agreement dated July 1, 1976, between the Frankfort Park District, the Manhattan Park District, the Mokena Community Park District, the New Lenox Community Park District and the Peotone Park District. The Wilmington Island District became a member of the Association on September 12, 2012. The Frankfort Square Park District became a member of the Association on June 21, 2017. The Association is considered a jointly governed organization of the seven park districts pursuant to GASB Statement No. 14. The Association operates under the commissioner-director form of government and provides a variety of services to individuals with physical and mental impairments in the member districts.

The purpose of the Association is to provide for the establishment, maintenance and management of joint recreation programs for persons with disabilities of all the participating park districts. Participation in the Association's programs is available to any individual with a disability living in the immediate Lincolnway area.

The component unit column in the basic financial statements includes the financial data of the Association's component unit. It is reported in a separate column to emphasize that it is legally separate from the Association.

The Lincolnway Special Recreation Foundation

The Association has determined that the Lincolnway Special Recreation Foundation (the Foundation) meets the requirements of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement 14,* and GASB Statement No. 61, *The Financial Reporting Entity - Omnibus*, which has resulted in the Foundation being reported as a discretely presented component unit of the Association as it is legally separate from the Association. The Foundation follows GAAP for not-for-profits as promulgated by the Financial Accounting Standards Board (FASB). Separate financial statements for the Lincolnway Special Recreation Foundation are available by contacting the Foundation at 1900 Heatherglen Dr., New Lenox, Illinois 60506.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Fund Accounting

The Association uses funds to report on its financial position and the changes in financial position. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into the following categories: governmental, proprietary and fiduciary. The Association has no proprietary or fiduciary funds.

Governmental funds are used to account for all the Association’s general activities, including the acquisition or construction of capital assets and the servicing of general long-term debt. The General Fund is used to account for all activities of the Association.

c. 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 activities of the Association. The effect of material interfund activity, if any, has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, if any, which rely to a significant extent on fees and charges for support.

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 shared revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental fund.

The Association reports the following major governmental fund:

The General Fund is the Association’s primary operating fund. It accounts for all financial resources of the Association, except those accounted for in another fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. 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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Association 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. However, debt service expenditures, if any, are recorded only when payment is due.

Investment income, operating fees and member services associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Association.

The Association reports unearned/unavailable revenue on its financial statements. Unavailable revenues arise when a potential revenue does not meet both the measurable and available or earned criteria for recognition in the current period. Unearned revenues also arise when resources are received by the Association 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 the Association has a legal claim to the resources, the liability and/or deferred inflows of resources for unearned revenue is removed from the financial statements and revenue is recognized.

e. Investments

Investments are recorded at cost, which approximates fair value.

The Association categorizes the fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Association held no investments at fair value at May 31, 2019.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Prepaid Expenses/Items

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

g. Capital Assets

Capital assets are recorded as expenditures at the time of purchase. Capital assets, which include property, plant, equipment and infrastructure assets (e.g., parking lots and similar items), if any, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Association as assets with an initial, individual cost in excess of $500 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 estimated acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	50
Furniture and fixtures	5-10
Improvements	15
Vehicles	5-8
Office equipment	5-7

h. Compensated Absences

In accordance with GASB Interpretation No. 6, *Accounting for Certain Liabilities*, only vested or accumulated vacation leave including related Social Security and Medicare that is committed to be liquidated at May 31, 2019, is reported as an expenditure and a fund liability of the governmental fund that will pay it.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Compensated Absences (Continued)

Vested or accumulated vacation of governmental activities at the government-wide level is recorded as an expense and liability as the benefits accrue to employees. Full-time employees are granted vacation days, based on the employee's regular work schedule, at a rate determined by their calendar year of service. Those with 1-4 year of service will accrue 10 days; 5-9 years of service will accrue 15 days; 10-14 years of service will accrue 20 days and 15 or more will accrue 25 days. A maximum of 5 days carried forward to the next calendar year. Any accumulated days must be used no later than April 1st. Full-time employees are granted 12 sick days per year based on their regular work schedule, at the rate of one per month, up to a maximum accumulation of 20 days.

i. Fund Balance/Net Position

In the fund financial statements, governmental funds can report nonspendable fund balance for amounts that are either not spendable in 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. None of the restricted fund balances result from enabling legislation adopted by the Association. Committed fund balance is constrained by formal actions of the Association's Board of Directors, which is considered the Association's highest level of decision-making authority. Formal actions include resolutions approved by the Board of Directors. Assigned fund balance represents amounts constrained by the Association's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the Association's Executive Director; however, this has not been authorized through a formal policy. Any residual General Fund balance is reported as unassigned.

Since no fund balance policy is in place, the Association's flow of funds assumption defaults to that described in GASB Statement No. 54. This 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 the Association considers committed funds to be expended first followed by assigned and then unassigned funds.

In the government-wide financial statements, the net investment in capital assets represents the book value of capital assets less any long-term debt principal outstanding issued to construct capital assets.

j. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Deferred Outflows/Inflows of Resources (Continued)

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

This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

k. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources 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

Illinois Compiled Statutes (ILCS) and the Association's investment policy authorize the Association to make deposits/invest in local government investment pools, passbook savings account, money market mutual funds, Illinois Park District Liquid Asset Fund, certificates of deposits, time deposits and insured account of credit unions whose principal office is in Illinois.

It is the policy of the Association to invest 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.

a. Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Association's deposits may not be returned to it. The Association's investment policy requires pledging of collateral for all bank balances in excess of federal depository insurance with the collateral held by an agent of the Association in the Association's name. Total funds exceeding the deposit insurance limits must have collateral provided as 105% of the fair market value of the net amount of the Association's funds on deposit at each financial institution.

2. DEPOSITS AND INVESTMENTS (Continued)

b. Investments

Interest rate risk is the risk that change in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Association limits its exposure to interest rate risk by structuring the portfolio to provide liquidity. The investment policy limits the investment in securities that have higher credit risks.

The Association limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in Illinois Public Liquid Asset Funds, a money market mutual fund.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Association will not be able to recover the value of its investments that are in possession of an outside party. The Associations policy does not address custodial credit risk.

3. CAPITAL ASSETS

Capital asset activity for the year ended May 31, 2019 was as follows:

	Balances June 1	Increases	Decreases	Balances May 31
Capital assets not being depreciated				
Construction in progress	$ 8,675	$ -	$ -	$ 8,675
Capital assets being depreciated				
Buildings	4,201,055	123,998	-	4,325,053
Vehicles	296,683	197,235	-	493,918
Furniture and fixtures	11,189	-	-	11,189
Improvements	260,584	-	-	260,584
Office equipment	129,089	26,898	-	155,987
Total capital assets being depreciated	4,898,600	348,131	-	5,246,731
Less accumulated depreciation for				
Buildings	322,077	84,135	-	406,212
Vehicles	265,234	38,120	-	303,354
Furniture and fixtures	6,681	1,027	-	7,708
Improvements	14,164	17,372	-	31,536
Office equipment	81,437	17,272	-	98,709
Total accumulated depreciation	689,593	157,926	-	847,519
Total capital assets being depreciated, net	4,209,007	190,205	-	4,399,212
CAPITAL ASSETS, NET	$ 4,217,682	$ 190,205	$ -	$ 4,407,887

4. EMPLOYEE RETIREMENT SYSTEMS

The Association's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF is an agent multiple-employer pension plan that acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a publicly available report that includes financial statements and supplementary information for the plan as a whole but not by individual employer. That report may be obtained by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523 or at www.imrf.org.

<u>Illinois Municipal Retirement Fund</u>

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, 2018, IMRF membership consisted of:

Inactive employees or their beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	22
Active employees	26
TOTAL	50

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. Employees

4. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Illinois Municipal Retirement Fund (Continued)

Benefits Provided (Continued)

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. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute.

Contributions

Participating members are required to contribute 4.50% of their annual covered salary to IMRF. The Association is required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contribution rates for the years ended May 31, 2018 and 2019 were 8.50% and 8.29%, respectively, of covered payroll.

Actuarial Assumptions

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

Actuarial valuation date	December 31, 2018
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.50%
Salary increases	3.39% to 14.25%
Interest rate	7.25%
Cost of living adjustments	3.50%
Asset valuation method	Market value

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

4. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Illinois Municipal Retirement Fund (Continued)

Actuarial Assumptions (Continued)

For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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 the Association contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Association's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The discount rate used to measure the total pension liability at December 31, 2017 was 7.50%.

Changes in the Net Pension Liability

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
BALANCES AT JANUARY 1, 2018	$ 891,352	$ 773,478	$ 117,874
Changes for the period			
Service cost	56,218	-	56,218
Interest	67,472	-	67,472
Difference between expected and actual experience	(34,754)	-	(34,754)
Changes in assumptions	40,103	-	40,103
Employer contributions	-	54,912	(54,912)
Employee contributions	-	29,072	(29,072)
Net investment income	-	(35,288)	35,288
Benefit payments and refunds	(39,663)	(39,663)	-
Administrative expense	-	-	-
Other (net transfer)	-	8,404	(8,404)
Net changes	89,376	17,437	71,939
BALANCES AT DECEMBER 31, 2018	$ 980,728	$ 790,915	$ 189,813

4. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Illinois Municipal Retirement Fund (Continued)

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

For the year ended May 31, 2019, the Association recognized pension expense of $66,143.

At May 31, 2019, the Association reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 98,210	$ 34,940
Changes in assumption	41,235	28,601
Net difference between projected and actual earnings on pension plan investments	50,472	-
Employer contributions after the measurement date	27,345	-
TOTAL	$ 217,262	$ 63,541

$27,345 reported as deferred outflows of resources result from the Association's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended May 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to IMRF will be recognized in pension expense as follows:

Fiscal Year Ending May 31,	
2020	$ 37,307
2021	60,061
2022	25,323
2023	29,183
2024	4,457
Thereafter	45
TOTAL	$ 126,376

4. EMPLOYEE RETIREMENT SYSTEMS (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 the Association calculated using the discount rate of 7.25% as well as what the Association's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability	$ 375,483	$ 189,813	$ 42,154

5. LONG-TERM DEBT

a. Debt Certificates

The Association issues for the acquisition and construction of major capital facilities.

Debt Certificates are direct obligations and pledge the full faith and credit of the Association. Debt Certificates currently outstanding are as follows:

Issue	Fund Debt Retired By	Balances June 1	Additions	Reductions	Balances May 31	Current Portion
General Obligation Debt Certificates Series of 2013A with annual installments of principal of $60,000 to $1,310,000 through May 1, 2023, plus interest at 1.25% to 3.00% payable semiannually	General - Debt Certificates Subfund	$ 420,000	$ -	$ 80,000	$ 340,000	$ 80,000
TOTAL		$ 420,000	$ -	$ 80,000	$ 340,000	$ 80,000

5. LONG-TERM DEBT

b. Debt Service Requirements to Maturity

Annual debt service requirements to maturity are as follows:

Fiscal Year Ending May 31,	Debt Certificates Principal	Debt Certificates Interest	Debt Certificates Total
2020	$ 80,000	$ 10,000	$ 90,000
2021	85,000	7,800	92,800
2022	85,000	5,250	90,250
2023	90,000	2,700	92,700
TOTAL	$ 340,000	$ 25,750	$ 365,750

c. Capital Leases

	Payable From	Total	Due Within One Year
Capital lease of bus dated October 17, 2018, principal and interest payable annually at 3.75%.	General	$ 129,022	$ 63,310
TOTAL		$ 129,022	$ 63,310

Related equipment net of accumulated depreciation for the year ended May 31, 2019 was $64,411.

Future principal and interest requirements applicable to the capital leases are:

Fiscal Year Ending May 31,	Principal	Interest
2020	$ 63,310	$ 4,903
2021	65,712	2,501
TOTAL	$ 129,022	$ 7,404

5. LONG-TERM DEBT (Continued)

d. Changes in Long-Term Liabilities

During the year, the following changes occurred in long-term liabilities:

	Beginning Balances, Restated	Additions	Retirements	Ending Balances	Current Portion
Debt certificates	$ 420,000	$ -	$ 80,000	$ 340,000	$ 80,000
Premiums	1,649	-	330	1,319	-
Capital lease	-	197,235	68,213	129,022	63,310
Compensated absences	40,895	-	34,968	5,927	5,927
Total OPEB liability	31,563	15,274	-	46,837	-
Net pension liability	117,874	71,939	-	189,813	-
TOTAL	$ 611,981	$ 284,448	$ 183,511	$ 712,918	$ 149,237

6. INSURANCE

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. The Association purchases third party indemnity insurance via monthly premiums from private insurance companies for its employee health insurance. Since 1992, the Association has been a member of the Park District Risk Management Agency (PDRMA), a joint risk management pool of park and forest preserve districts 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.

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/Liability/Workers' Compensation 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 claim administrator and attorneys in claims investigation 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 which they were a member.

6. INSURANCE (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.

7. OTHER POSTEMPLOYMENT BENEFITS

a. Plan Description

In addition to providing the pension benefits described, the Association provides postemployment health care benefits (OPEB) for retired employees through a single-employer defined benefit plan (the Plan). The benefits, benefit levels, employee contributions and employer contributions are governed by the Association and can be amended by the Association through its personnel manual and union contracts. Certain benefits are controlled by state laws and can only be changed by the Illinois Legislature. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Plan does not issue a separate report.

b. Benefits Provided

The Association provides pre and post-Medicare postretirement health insurance to retirees, their spouses and dependents (enrolled at time of employee's retirement). To be eligible for benefits, the employee must qualify for retirement under one of the Association's retirement plans. The retirees pay 100% of the blended premium. Upon a retiree becoming eligible for Medicare, the amount payable under the Association's health plan will be reduced by the amount payable under Medicare for those expenses that are covered under both.

c. Membership

At September 30, 2018 (the measurement date), membership consisted of:

Retirees and beneficiaries currently receiving benefits	-
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	10
TOTAL	10
Participating employers	1

7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

d. Total OPEB Liability

The Association's total OPEB liability of $30,019 was measured as of September 30, 2018 and was determined by an actuarial valuation as of September 30, 2018.

e. Actuarial Assumptions and Other Inputs

The total OPEB liability at May 31, 2019, as determined by an actuarial valuation as of September 30, 2018 actuarial valuation, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Actuarial valuation date	September 30, 2018
Actuarial cost method	Entry-age normal
Inflation	2.50%
Discount rate	4.18%
Healthcare cost trend rates	7.00% to 8.00% in fiscal 2019 based on type of plan, to an ultimate trend rate of 4.50%
Asset valuation method	N/A
Mortality rates	RP - 2014 rates adjusted to 2006 rates and improved generationally with MP-2017 improvement rates

7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

f. Changes in the Total OPEB Liability

	Total OPEB Liability
BALANCES AT JUNE 1, 2018	$ 29,512
Changes for the period	
Service cost	2,034
Interest	1,148
Difference between expected and actual experience	-
Changes in assumptions	(2,675)
Benefit payments	-
Net changes	507
BALANCES AT MAY 31, 2019	$ 30,019

Changes in assumptions - the discount rate was increased from 3.64% to 4.18%.

g. Rate Sensitivity

The following is a sensitivity analysis of the total OPEB liability to changes in the discount rate and the healthcare cost trend rate. The table below presents the total OPEB liability of the Association calculated using the discount rate of 4.18% as well as what the Association total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.18%) or 1 percentage point higher (5.18%) than the current rate:

	1% Decrease (3.18%)	Current Discount Rate (2.66%)	1% Increase (5.18%)
Total OPEB liability	$ 35,117	$ 30,019	$ 25,537

7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

g. Rate Sensitivity (Continued)

The table below presents the total OPEB liability of the Association calculated using the healthcare rate of 7% to 8% as well as what the Association's total OPEB liability would be if it were calculated using a healthcare rate that is 1 percentage point lower (6% to 7%) or 1 percentage point higher (8% to 9%) than the current rate:

	1% Decrease	Current Healthcare Rate	1% Increase
Total OPEB liability	$ 23,869	$ 30,019	$ 37,811

h. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended May 31, 2019, the Association recognized OPEB expense of $3,561. At May 31, 2019, the Association reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ -	$ 2,454
Total	$ -	$ 2,454

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

Year Ending May 31,	
2020	$ (221)
2021	(221)
2022	(221)
2023	(221)
2024	(221)
Thereafter	(1,349)
TOTAL	$ (2,454)

8. PRIOR PERIOD ADJUSTMENTS

Net position and fund balance have been restated as described below. The details of these restatements are as follows:

	Governmental Activities	General Fund
NET POSITION/FUND BALANCE - MAY 31, 2018 (AS REPORTED)	$ 3,782,399	$ 12,245
Record opening total OPEB liability	(31,563)	-
Correct long-term debt balances	(8,100)	-
Remove compensated absences liability	-	40,895
Subtotal	(39,663)	40,895
NET POSITION/FUND BALANCE - MAY 31, 2018 (AS RESTATED)	$ 3,742,736	$ 53,140

Additionally, as presented on the government-wide statements and Note 1, the Association also presented a change in reporting entity to record the Lincolnway Special Recreation Foundation as a discretely presented component unit.

9. LINCOLNWAY SPECIAL RECREATION FOUNDATION

a. Nature of Activities

Lincolnway Special Recreation Foundation (the Foundation) is a nonprofit organization incorporated May 2010, whose mission is to support the Lincolnway Special Recreation Association in their effort to provide a diverse range of recreational activities to enable residents with disabilities to experience active, healthy and playful lifestyles.

b. Summary of Significant Accounting Policies

<u>Cash and Cash Equivalents</u>

The Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Foundation maintains its cash balance in financial institutions, which at times may exceed federally insured limits. The amount of uninsured cash was $78,213 for the year ended May 31, 2019. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

9. LINCOLNWAY SPECIAL RECREATION FOUNDATION (Continued)

b. Summary of Significant Accounting Policies (Continued)

Net Assets

The Foundation classifies net assets as unrestricted, temporarily restricted or permanently restricted.

Unrestricted net assets of the Foundation are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. The Foundation has elected to classify revenues as unrestricted if donor restrictions are met in the same reporting period.

Temporarily restricted net assets of the Foundation result (a) from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations and (c) from reclassifications to/from other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Foundation pursuant to those stipulations.

Permanently restricted net assets of the Foundation result (a) from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations and (c) from reclassifications to/from other classes of net assets as a consequence of donor-imposed stipulations.

Contributions

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets and are transferred to unrestricted net assets when the restrictions expire.

Use of Estimates

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

9. LINCOLNWAY SPECIAL RECREATION FOUNDATION (Continued)

b. Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing the Foundation's various programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

c. Fair Value Measurements

The Foundation categorizes the fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Foundation held no investments at fair value at May 31, 2019.

d. Income Taxes

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is classified as a private foundation.

e. Concentrations

The Foundation receives contributions from various donors. There is no one donor that makes up the significant amount of donations.

f. Subsequent Events

The Association has evaluated the subsequent events through May 1, 2020 which was the date that these financial statements were available for issuance and determined that there were no significant non-recognized subsequent events through that date.

REQUIRED SUPPLEMENTARY INFORMATION

LINCOLNWAY SPECIAL RECREATION ASSOCIATION
NEW LENOX, ILLINOIS

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

For the Year Ended May 31, 2019

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES			
Member district contributions	$ 911,506	$ 913,053	$ 1,547
Charges for services	796,565	845,568	49,003
Investment income	3,000	1,605	(1,395)
Donations	259,300	363,437	104,137
Grants	10,000	-	(10,000)
Marketing and outreach income	20,000	8,291	(11,709)
Miscellaneous	4,500	3,453	(1,047)
Total revenues	2,004,871	2,135,407	130,536
EXPENDITURES			
Culture and recreation			
Salaries	958,025	1,025,283	67,258
Insurance	220,305	214,611	(5,694)
General and administrative	519,181	609,844	90,663
Capital outlay	229,000	339,588	110,588
Debt service			
Principal	85,000	148,213	63,213
Interest	5,000	13,150	8,150
Total expenditures	2,016,511	2,350,689	334,178
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(11,640)	(215,282)	(203,642)
OTHER FINANCING SOURCES			
Issuance of capital lease	-	197,235	197,235
Total other financing sources	-	197,235	197,235
NET CHANGE IN FUND BALANCE	$ (11,640)	(18,047)	$ (6,407)
FUND BALANCE, MAY 1		12,245	
Prior period adjustment		40,895	
FUND BALANCE, JUNE 1 (RESTATED)		53,140	
FUND BALANCE, MAY 31		$ 35,093	

(See independent auditor's report.)

BUDGETS

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

1. Prior to the May board meeting, the Executive Director submits to the Board of Directors a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.

2. At the regularly scheduled May board meeting, the budget was passed.

3. Budgets are adopted in accordance with generally accepted accounting principles.

4. All budget authority lapses at the end of the year.

5. No budget amendments were made in the current year.

LINCOLNWAY SPECIAL RECREATION ASSOCIATION
NEW LENOX, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND

Last Five Fiscal Years

FISCAL YEAR ENDING MAY 31,	**2015**	**2016**	**2017**	**2018**	**2019**
Actuarially determined contribution	$ 43,956	$ 46,365	$ 52,133	$ 52,567	$ 61,517
Contributions in relation to the actuarially determined contribution	43,956	46,365	52,133	52,567	61,517
CONTRIBUTION DEFICIENCY (Excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 497,794	$ 519,404	$ 572,405	$ 623,379	$ 731,882
Contributions as a percentage of covered payroll	8.83%	8.93%	9.11%	8.43%	8.41%

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.

LINCOLNWAY SPECIAL RECREATION ASSOCIATION
NEW LENOX, ILLINOIS

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

Last Five Calendar Years

MEASUREMENT DATE, DECEMBER 31,	**2014**	**2015**	**2016**	**2017**	**2018**
TOTAL PENSION LIABILITY					
Service cost	$ 52,806	$ 48,903	$ 49,646	$ 52,755	$ 56,218
Interest	34,979	46,688	51,157	58,122	67,472
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	74,561	(12,863)	18,615	88,927	(34,754)
Changes of assumptions	22,141	-	-	(41,519)	40,103
Benefit payments, including refunds of member contributions	(31,019)	(21,813)	(25,203)	(31,022)	(39,663)
Net change in total pension liability	153,468	60,915	94,215	127,263	89,376
Total pension liability - beginning	455,491	608,959	669,874	764,089	891,352
TOTAL PENSION LIABILITY - ENDING	$ 608,959	$ 669,874	$ 764,089	$ 891,352	$ 980,728
PLAN FIDUCIARY NET POSITION					
Contributions - employer	$ 40,639	$ 43,771	$ 52,446	$ 51,079	$ 54,912
Contributions - member	21,720	23,145	24,635	27,396	29,072
Net investment income	27,147	2,581	37,960	106,893	(35,288)
Benefit payments, including refunds of member contributions	(31,019)	(21,813)	(25,203)	(31,022)	(39,663)
Other	5,705	2,984	(1,234)	(13,696)	8,404
Net change in plan fiduciary net position	64,192	50,668	88,604	140,650	17,437
Plan fiduciary net position - beginning	429,364	493,556	544,224	632,828	773,478
PLAN FIDUCIARY NET POSITION - ENDING	$ 493,556	$ 544,224	$ 632,828	$ 773,478	$ 790,915
EMPLOYER'S NET PENSION LIABILITY	$ 115,403	$ 125,650	$ 131,261	$ 117,874	$ 189,813
Plan fiduciary net position as a percentage of total pension liability	81.0%	81.2%	82.8%	86.8%	80.6%
Covered payroll	$ 482,394	$ 514,345	$ 547,455	$ 608,791	$ 643,769
Employer's net pension liability as a percentage of covered payroll	23.92%	24.43%	23.98%	19.36%	29.48%

In 2016, there were no benefit changes during the year. Changes in assumptions related to the discount rate were made since the prior measurement date.

In 2017, there were no benefit changes during the year. Changes in assumptions related to price inflation, salary increases, retirement age and mortality rates were made since the prior measurement date.

In 2018, there were no benefit changes during the year. Changes in assumptions related to the discount rate 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.

LINCOLNWAY SPECIAL RECREATION ASSOCIATION
NEW LENOX, ILLINOIS

SCHEDULE OF CHANGES IN THE EMPLOYER'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN

Last Fiscal Year

MEASUREMENT DATE MAY 31,	**2019**
TOTAL OPEB LIABILITY	
Service cost	$ 2,034
Interest	1,148
Differences between expected and actual experience	-
Changes in assumptions	(2,675)
Benefit payments, including refunds of member contributions	-
Net change in total OPEB liability	507
Total OPEB liability - beginning	29,512
TOTAL OPEB LIABILITY - ENDING	$ 30,019
Covered payroll	$ 447,573
Employer's total OPEB liability as a percentage of covered payroll	6.71%

There were changes in assumptions related to the discount rate 3.64% to 4.18%; Valuation-year per capita health costs and retiree contribution rates were updated; trend rates on per capita health costs and contribution rates were updated; and the percent of future retirees assumed to have an eligible spouse who opts for coverage was changed, and the age spread between husband and wife was decreased.

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

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

SUPPLEMENTARY INFORMATION

LINCOLNWAY SPECIAL RECREATION ASSOCIATION
NEW LENOX, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL FUND BY SUBFUND

For the Year Ended May 31, 2019

	Operating		**Recreation**		**Capital**		**Debt Service**		**Debt Service Reserve**		**Total**	
	Final Budget	**Actual**	**Final Budget**	**Actual**	**Final Budget**	**Actual**	**Final Budget**	**Actual**	**Final Budget**	**Actual**	**Final Budget**	**Actual**
REVENUES												
Member district contributions												
New Lenox Park District	$ 224,409	$ 224,409	$ 29,160	$ 29,160	$ -	$ -	$ 30,572	$ 31,696	$ -	$ -	$ 284,141	$ 285,265
Mokena Park District	174,506	174,506	22,676	22,676	-	-	24,647	24,648	-	-	221,829	221,830
Frankfort Park District	133,734	133,735	17,378	17,378	-	-	18,889	18,889	-	-	170,001	170,002
Peotone Park District	15,539	15,539	2,019	2,019	-	-	2,194	2,195	-	-	19,752	19,753
Manhattan Park District	50,401	50,401	6,549	6,549	-	-	6,697	7,119	-	-	63,647	64,069
Wilmington Island Park District	23,530	23,530	3,058	3,058	-	-	3,323	3,323	-	-	29,911	29,911
Frankfort Square Park District	96,151	96,150	12,494	12,493	-	-	13,580	13,580	-	-	122,225	122,223
Total member district contributions	718,270	718,270	93,334	93,333	-	-	99,902	101,450	-	-	911,506	913,053
Charges for services												
Registration - 10%	80,000	79,489	-	-	-	-	-	-	-	-	80,000	79,489
Transportation and door-to-door	15,000	43,143	-	-	-	-	-	-	-	-	15,000	43,143
Rentals	-	-	10,000	7,731	-	-	-	-	-	-	10,000	7,731
Special	-	-	55,000	46,190	-	-	-	-	-	-	55,000	46,190
Adapted sports	-	-	40,000	35,280	-	-	-	-	-	-	40,000	35,280
Tournament	-	-	-	74,358	-	-	-	-	-	-	-	74,358
Titans	-	-	350,000	324,808	-	-	-	-	-	-	350,000	324,808
Youth	-	-	33,000	43,411	-	-	-	-	-	-	33,000	43,411
After school	-	-	35,000	37,424	-	-	-	-	-	-	35,000	37,424
Summer camp	-	-	80,000	79,637	-	-	-	-	-	-	80,000	79,637
Inclusion	-	-	5,565	736	-	-	-	-	-	-	5,565	736
Special events	-	-	53,000	42,971	-	-	-	-	-	-	53,000	42,971
Teen and Adult	-	-	40,000	30,390	-	-	-	-	-	-	40,000	30,390
Total charges for services	95,000	122,632	701,565	722,936	-	-	-	-	-	-	796,565	845,568
Investment income	3,000	1,605	-	-	-	-	-	-	-	-	3,000	1,605
Donations	15,000	1,817	144,300	88,189	100,000	273,431	-	-	-	-	259,300	363,437
Grants	10,000	-	-	-	-	-	-	-	-	-	10,000	-
Marketing and outreach income	20,000	8,291	-	-	-	-	-	-	-	-	20,000	8,291
Miscellaneous	4,000	3,453	500	-	-	-	-	-	-	-	4,500	3,453
Total revenues	865,270	856,068	939,699	904,458	100,000	273,431	99,902	101,450	-	-	2,004,871	2,135,407

(This schedule is continued on the following pages.)

LINCOLNWAY SPECIAL RECREATION ASSOCIATION
NEW LENOX, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - (Continued)
GENERAL FUND BY SUBFUND

For the Year Ended May 31, 2019

	Operating		Recreation		Capital		Debt Service		Debt Service Reserve		Total	
	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual
EXPENDITURES												
Salaries												
Executive Director	$ 80,489	$ 81,018	$ 20,122	$ 18,433	$ -	$ -	$ -	$ -	$ -	$ -	$ 100,611	$ 99,451
Administrative staff	245,592	331,852	90,248	42,315	-	-	-	-	-	-	335,840	374,167
Overtime	25,000	8,556	-	-	-	-	-	-	-	-	25,000	8,556
Superintendent of Recreation	48,800	48,241	12,200	9,262	-	-	-	-	-	-	61,000	57,503
Marketing/outreach	33,178	36,245	8,295	9,653	-	-	-	-	-	-	41,473	45,898
Special Olympics	-	-	29,175	29,059	-	-	-	-	-	-	29,175	29,059
Adapted sports	-	-	6,180	9,127	-	-	-	-	-	-	6,180	9,127
Titans	-	-	208,074	200,978	-	-	-	-	-	-	208,074	200,978
Youth	-	-	18,540	34,491	-	-	-	-	-	-	18,540	34,491
After school	-	-	26,780	45,095	-	-	-	-	-	-	26,780	45,095
Summer camp	-	-	61,800	85,817	-	-	-	-	-	-	61,800	85,817
Inclusion	-	-	23,982	11,794	-	-	-	-	-	-	23,982	11,794
Special events	-	-	10,300	12,020	-	-	-	-	-	-	10,300	12,020
Teen and Adult	-	-	9,270	11,327	-	-	-	-	-	-	9,270	11,327
Total salaries	433,059	505,912	524,966	519,371	-	-	-	-	-	-	958,025	1,025,283
Employee benefits												
FICA	62,000	75,173	-	-	-	-	-	-	-	-	62,000	75,173
IMRF	64,000	63,030	-	-	-	-	-	-	-	-	64,000	63,030
Insurance	75,444	60,730	18,861	15,678	-	-	-	-	-	-	94,305	76,408
Total employee benefits	201,444	198,933	18,861	15,678	-	-	-	-	-	-	220,305	214,611
General and administrative												
Insurance	24,000	26,120	-	-	-	-	-	-	-	-	24,000	26,120
Safety/training	3,400	2,689	-	-	-	-	-	-	-	-	3,400	2,689
Seminars/conferences/dues	17,000	17,831	-	-	-	-	-	-	-	-	17,000	17,831
Mileage reimbursement	350	1,495	-	-	-	-	-	-	-	-	350	1,495
Audit	6,000	5,500	-	-	-	-	-	-	-	-	6,000	5,500
Legal	5,000	6,860	-	-	-	-	-	-	-	-	5,000	6,860
Printing	2,400	2,517	5,600	5,120	-	-	-	-	-	-	8,000	7,637
Postage	1,300	1,257	-	-	-	-	-	-	-	-	1,300	1,257
Telephone	10,000	9,436	-	-	-	-	-	-	-	-	10,000	9,436
IT service	2,000	783	-	-	-	-	-	-	-	-	2,000	783
Advertising	900	-	-	-	-	-	-	-	-	-	900	-
Accounting service	30,000	54,167	-	-	-	-	-	-	-	-	30,000	54,167

(This schedule is continued on the following pages.)

LINCOLNWAY SPECIAL RECREATION ASSOCIATION
NEW LENOX, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - (Continued)
GENERAL FUND BY SUBFUND

For the Year Ended May 31, 2019

	Operating		Recreation		Capital		Debt Service		Debt Service Reserve		Total	
	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual
EXPENDITURES (Continued)												
General and administrative (Continued)												
Professional fees	$ 34,000	$ 28,675	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 34,000	$ 28,675
Gifts	275	234	-	-	-	-	-	-	-	-	275	234
Driver training/drug testing	500	3,497	-	-	-	-	-	-	-	-	500	3,497
Vehicle maintenance			54,000	104,976	-	-	-	-	-	-	54,000	104,976
Utilities	6,900	10,526	15,000	22,302	-	-	-	-	-	-	21,900	32,828
Special events - staff	2,500	1,648	-	-	-	-	-	-	-	-	2,500	1,648
Staff and volunteer apparel	1,500	2,151	-	-	-	-	-	-	-	-	1,500	2,151
Marketing/outreach	18,675	12,636	-	-	-	-	-	-	-	-	18,675	12,636
General program supplies	-	-	195,743	209,236	-	-	-	-	-	-	195,743	209,236
Office supplies	15,400	18,747	15,400	18,939	-	-	-	-	-	-	30,800	37,686
Maintenance	15,400	13,019	35,938	29,483	-	-	-	-	-	-	51,338	42,502
Total general and administrative	197,500	219,788	321,681	390,056	-	-	-	-	-	-	519,181	609,844
Capital outlay												
General	8,000	2,702	-	-	-	-	-	-	-	-	8,000	2,702
Vehicle	-	-	71,000	193,856			-	-	-	-	71,000	193,856
Sensory/office	-	-	-	-	100,000	115,465	-	-	-	-	100,000	115,465
Owner furniture, fixtures and equipment	-	-	-	-	25,000	17,150	-	-	-	-	25,000	17,150
Architectural and engineering fees	-	-	-	-	3,000	4,570	-	-	-	-	3,000	4,570
Inspection/testing	-	-	-	-	-	150	-	-	-	-	-	150
Fire alarm/low voltage	-	-	-	-	-	445	-	-	-	-	-	445
HVAC	-	-	-	-	-	5,000	-	-	-	-	-	5,000
Permits/fees	-	-	-	-	1,000	-	-	-	-	-	1,000	-
Landscaping	-	-	-	-	-	250	-	-	-	-	-	250
Contingency	-	-	-	-	6,000	-	-	-	-	-	6,000	-
Street lighting and paving	-	-	-	-	15,000	-	-	-	-	-	15,000	-
Total capital outlay	8,000	2,702	71,000	193,856	150,000	143,030	-	-	-	-	229,000	339,588
Debt service												
Principal	-	-	-	68,213	-	-	85,000	80,000	-	-	85,000	148,213
Interest	-	-	-	-	-	-	5,000	13,150	-	-	5,000	13,150
Total debt service	-	-	-	68,213	-	-	90,000	93,150	-	-	90,000	161,363
Total expenditures	840,003	927,335	936,508	1,187,174	150,000	143,030	90,000	93,150	-	-	2,016,511	2,350,689

(This schedule is continued on the following page.)

LINCOLNWAY SPECIAL RECREATION ASSOCIATION
NEW LENOX, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - (Continued)
GENERAL FUND BY SUBFUND

For the Year Ended May 31, 2019

	Operating		Recreation		Capital		Debt Service		Debt Service Reserve		Total	
	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 25,267	$ (71,267)	$ 3,191	$ (282,716)	$ (50,000)	$ 130,401	$ 9,902	$ 8,300	$ -	$ -	$ (11,640)	$ (215,282)
OTHER FINANCING SOURCES (USES)												
Intrafund transfers	-	(133,836)	-	133,836	-	-	-	-	-	-	-	-
Issuance of capital lease	-	-	-	197,235	-	-	-	-	-	-	-	197,235
Total other financing sources (uses)	-	(133,836)	-	331,071	-	-	-	-	-	-	-	197,235
NET CHANGE IN FUND BALANCES	$ 25,267	(205,103)	$ 3,191	48,355	$ (50,000)	130,401	$ 9,902	8,300	$ -	-	$ (11,640)	(18,047)
FUND BALANCES (DEFICIT), JUNE 1		165,910		(138,462)		(100,087)		(15,116)		100,000		12,245
Prior period adjustment		35,045		5,850		-		-		-		40,895
FUND BALANCES (DEFICIT), JUNE 1, RESTATED		200,955		(132,612)		(100,087)		(15,116)		100,000		53,140
FUND BALANCES (DEFICIT), MAY 31		$ (4,148)		$ (84,257)		$ 30,314		$ (6,816)		$ 100,000		$ 35,093

(See independent auditor's report.)