

Kankakee Area Regional
Vocational Education System

Bourbonnais, Illinois

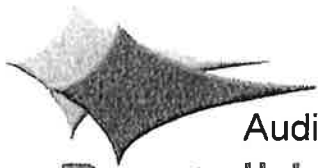
Annual Report

June 30, 2023

Russell Leigh & Associates
Certified Public Accountant
228 E Main Street
Hoopeston, IL 60942

Kankakee Area Regional
Vocational Education System
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Russell Leigh

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Independent Auditors' Report

Board of Education
Kankakee Area Regional Vocational Education System
Bourbonnais, Illinois 60914

Opinions

We have audited the accompanying financial statements of the Kankakee Area Regional Vocational Education System as of and for the fiscal years ended June 30, 2023 and June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Kankakee Area Regional Vocational Education System of June 30, 2023 and June 30, 2022, and its revenues received and expenditures disbursed during the fiscal year then ended, in accordance with the financial reporting provisions prescribed and permitted by the Illinois State Board of Education as described in Note I C.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" section of the report, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of Kankakee Area Regional Vocational Education System, as of June 30, 2023 and June 30, 2022, or the changes in its financial position for the fiscal years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kankakee Area Regional Vocational Education System, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note IC of the financial statements, the financial statements are prepared by Kankakee Area Regional Vocational Education System on the basis of the financial reporting provisions prescribed and permitted of the Illinois State Board of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Illinois State Board of Education. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note IC and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter - Basis of Accounting

We draw attention to Note IC of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America but permitted by the Illinois State Board of Education. Our opinion is not modified with respect to that matter.

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Responsibilities of Management for the Financial Statements

The School District administration is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions prescribed and permitted by the Illinois State Board of Education as described in Note IC. Management is also responsible for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kankakee Area Regional Vocational Education System ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit 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 Kankakee Area Regional Vocational Education System's internal control. Accordingly, no such opinion is expressed.

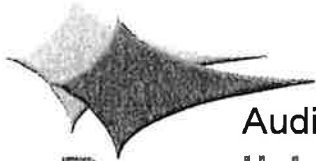
Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Kankakee Area Regional Vocational Education System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the Audit


Russell Leigh & Associates LLC

Hoopeston, Illinois
October 11, 2023



Audit / Tax / Consult

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Independent Auditor's Report on Compliance and
on Internal Control over Financial Reporting based on
Audit of Financial Statements in accordance
with Government Auditing Standards

Board of Education
Kankakee Area Regional Area Vocational Education System
Bourbonnais, Illinois 60914

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of Kankakee Area Regional Vocational System as of and for the fiscal year ended June 30, 2023 and June 30, 2022, and the related notes to the financial statements, which collectively compromise the District's basic financial statements as listed in the table of contents and have issued our report thereon dated October 11, 2023. Our opinion was adverse because the financial statements are not prepared in accordance with accounting principles generally accepted in the United States of America. However, the financial statements were found to be fairly stated, except for the effects of the omitted disclosures required by the Government Auditing Standards Board Statement 45 *Accounting and Financial Reporting for Post-Employment Benefits other than Pensions*, on the modified cash basis of accounting in accordance with regulatory reporting requirements established by the Illinois State Board of Education, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kankakee Area Regional Vocational Education System's internal control over financial reporting (internal control) to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on Kankakee Area Regional Vocational Education System's internal control that are appropriate. Accordingly, we do not express an opinion on the effectiveness of the Kankakee Area Regional Vocational Education System's internal control over financial reporting.

A deficiency in internal control exists when the design or operation or a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of significant deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Entity's financial statements will not be prevented or detected by the organization's internal control on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, as defined above. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance

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

Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of testing and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Russell Leigh & Associates LLC

Hoopeston, Illinois
October 11, 2023

Kankakee Area Regional Vocational Education System
Statement of Assets and Liabilities & Fund Balance
Arising from Cash Transactions (Regulatory Basis)
As of June 30, 2023

	<u>Education</u>	<u>General Fixed Assets</u>	<u>Total (Memorandum Only)</u>
<u>Assets</u>			
Cash in Bank	\$57,059	\$ -0-	\$ 57,059
Fixed Assets	<u>-0-</u>	<u>1,820,226</u>	<u>1,820,226</u>
TOTAL ASSETS	<u>\$57,059</u>	<u>\$1,820,226</u>	<u>\$1,877,285</u>
<u>Liabilities and Fund Balance</u>			
Liabilities	\$ -0-	\$ -0-	\$ -0-
Fund Balance			
Investment in General Fixed Assets	\$ -0-	\$1,820,226	\$1,820,226
Reserved	-0-	-0-	-0-
Unreserved	<u>57,059</u>	<u>-0-</u>	<u>57,059</u>
Total Fund Balance	<u>\$57,059</u>	<u>\$1,820,226</u>	<u>\$1,877,285</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$57,059</u>	<u>\$1,820,226</u>	<u>\$1,877,285</u>

The accompanying notes are an integral part of the financial statements.

Kankakee Area Regional Vocational Education System
Statement of Revenue Received, Expenditures Disbursed,
Other Financing Sources (Uses) & Changes in Fund Balance
Year Ended June 30, 2023

	<u>Education</u>	Total (Memorandum <u>Only</u>)
<u>REVENUES RECEIVED</u>		
State Revenue	857,897	857,897
Federal Revenue	<u>283,603</u>	<u>283,603</u>
Total Revenue Received	<u>\$ 1,141,500</u>	<u>\$ 1,141,500</u>
<u>EXPENDITURES DISBURSED</u>		
Instruction	\$ 272,164	\$ 272,164
Supporting Services	162,164	162,164
Payments to Other Governmental Units	<u>706,874</u>	<u>706,874</u>
Total Expenses Disbursed	<u>\$ 1,141,502</u>	<u>\$ 1,141,502</u>
Excess (Deficiency) of Revenue Received Over Expenditures Disbursed	\$ (2)	\$ (2)
Beginning Fund Balance	<u>57,061</u>	<u>57,061</u>
Ending Fund Balance	<u>\$ 57,059</u>	<u>\$ 57,059</u>

The accompanying notes are an integral part of the financial statements.

Kankakee Area Regional Vocational Education System
Statement of Revenue Received, Expenditures Disbursed,
Other Financing Sources (Uses) & Changes in Fund Balance – Budget and Actual
Year Ended June 30, 2023

EDUCATION

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES RECEIVED</u>		
State Revenue	853,912	857,897
Federal Revenue	<u>283,603</u>	<u>283,603</u>
Total Revenues Received	<u>\$1,137,515</u>	<u>\$1,141,500</u>
<u>EXPENDITURES DISBURSED</u>		
Instruction	\$ 266,222	\$ 272,464
Supporting Services	164,419	162,164
Payments to Other Governmental Units	<u>706,874</u>	<u>706,874</u>
Total Disbursements	<u>\$1,137,515</u>	<u>\$1,141,502</u>
Excess (deficiencies) of Revenues Received Over Expenditures Disbursed	\$ -0-	\$ (2)
Beginning Fund Balance	<u>57,061</u>	<u>57,061</u>
Ending Fund Balance	<u>\$ 57,061</u>	<u>\$ 57,059</u>

The accompanying notes are an integral part of the financial statements.

Kankakee Area Regional Vocational Education System
Statement of Revenue Received
Year Ended June 30, 2023

<u>REVENUE RECEIVED</u>	<u>Education Education</u>	<u>Total Mem. Only</u>
From State Sources:		
Restricted Grants-In-Aid:		
CTE Secondary Program Improvements	<u>\$ 857,897</u>	<u>\$ 857,897</u>
Total Revenue from State Sources	<u>\$ 857,897</u>	<u>\$ 857,897</u>
From Federal Sources:		
Restricted Grants-In-Aid:		
CTE Other Perkins Secondary	<u>\$ 283,603</u>	<u>\$ 283,603</u>
Total Revenue from Federal Sources	<u>\$ 283,603</u>	<u>\$ 283,603</u>
Total Direct Revenue	<u>\$1,141,500</u>	<u>\$1,141,500</u>

The accompanying notes are an integral part of the financial statements.

Kankakee Area Regional Vocational Education System
Statement of Expenditures Disbursed
(And Comparison with Budget)
Education Fund
Year Ended June 30, 2023

	2023 <u>Budget</u>	2023 <u>Actual</u>	(Over) Under <u>Budget</u>	2022 <u>Actual</u>
Expenditures Disbursed:				
Instruction:				
CTE Programs:				
Salaries	\$ 169,708	\$ 167,512	\$ 2,196	\$ 139,569
Employee Benefits	15,312	15,024	288	14,026
Purchased Services	34,344	35,753	(1,409)	21,889
Supplies and Materials	3,000	5,463	(2,463)	9,456
Capital Outlay	<u>43,858</u>	<u>48,712</u>	<u>(4,854)</u>	<u>34,379</u>
Total Regular Programs	<u>\$ 266,222</u>	<u>\$ 272,464</u>	<u>\$ (6,242)</u>	<u>\$ 219,317</u>
TOTAL INSTRUCTION	<u>\$ 266,222</u>	<u>\$ 272,464</u>	<u>\$ (6,242)</u>	<u>\$ 219,317</u>
Support Services- Pupils				
Guidance:				
Salaries	\$ 13,859	\$ 13,004	\$ 855	\$ 14,645
Employee Benefits	2,950	2,974	(24)	3,007
Purchased Services	2,800	2,866	(66)	2,600
Supplies and Materials	-0-	-0-	-0-	-0-
Total Guidance	<u>\$ 19,609</u>	<u>\$ 18,844</u>	<u>\$ 765</u>	<u>\$ 20,252</u>
TOTAL SUPPORT SERVICES – PUPILS	<u>\$ 19,609</u>	<u>\$ 18,844</u>	<u>\$ 765</u>	<u>\$ 20,252</u>
Support Services – Instructional Staff:				
Improvement of Instruction:				
Salaries	\$ 34,008	\$ 34,008	\$ -0-	\$ 34,108
Employee Benefits	8,903	8,778	125	9,465
Purchased Services	20,580	20,000	580	21,425
Supplies and Materials	1,000	1,000	0	1,499
Total Improvement of Instruction	<u>\$ 64,491</u>	<u>\$ 63,786</u>	<u>\$ 705</u>	<u>\$ 66,497</u>
Assessment and Testing:				
Supplies and Materials	<u>\$ 9,650</u>	<u>\$ 9,048</u>	<u>\$ 602</u>	<u>\$ 3,500</u>
Total Assessment and Testing	<u>\$ 9,650</u>	<u>\$ 9,048</u>	<u>\$ 602</u>	<u>\$ 3,500</u>
TOTAL SUPPORT SERVICES- INSTRUCTIONAL STAFF	<u>\$ 74,141</u>	<u>\$ 72,834</u>	<u>\$ 1,307</u>	<u>\$ 74,997</u>
Board of Education Services:				
Salaries	\$ 29,987	\$ 29,987	\$ -0-	\$ 30,967
Employee Benefits	11,580	11,433	147	11,577
Purchased Services	2,500	2,735	(235)	1,800
Supplies and Materials	-0-	-0-	-0-	-0-
Total Board of Education Services	<u>\$ 44,067</u>	<u>\$ 44,155</u>	<u>\$ (88)</u>	<u>\$ 44,344</u>
TOTAL SUPPORT SERVICES- GENERAL ADMINISTRATION	<u>\$ 44,067</u>	<u>\$ 44,155</u>	<u>\$ (88)</u>	<u>\$ 44,344</u>
Support Services- Business				
Fiscal Services:				
Salaries	\$ 17,278	\$ 17,278	\$ -0-	\$ 16,651
Employee Benefits	2,324	2,253	71	2,522
Purchased Services	7,000	6,800	200	6,700
Supplies and Materials	-0-	-0-	-0-	-0-
Total Fiscal Services	<u>\$ 26,602</u>	<u>\$ 26,331</u>	<u>\$ 271</u>	<u>\$ 25,873</u>
TOTAL SUPPORT SERVICES- BUSINESS	<u>\$ 26,602</u>	<u>\$ 26,331</u>	<u>\$ 271</u>	<u>\$ 25,873</u>
TOTAL SUPPORTING SERVICES	<u>\$ 164,419</u>	<u>\$ 162,164</u>	<u>\$ 2,255</u>	<u>\$ 165,466</u>

The accompanying notes are an integral part of the financial statements.

Kankakee Area Regional Vocational Education System
Statement of Expenditures Disbursed
(And Comparison with Budget)
Education Fund
Year Ended June 30, 2023

	<u>2023</u> <u>Budget</u>	<u>2023</u> <u>Actual</u>	(Over) Under <u>Budget</u>	<u>2022</u> <u>Actual</u>
Non-programmed Charges:				
Payments to Other Governmental				
Units (In-State):				
Other Objects	\$ 706,874	\$ 706,874	\$ 0	\$ 699,676
 Total Payments to Other Governmental				
Units (In-State)	\$ 706,874	\$ 706,874	\$ 0	\$ 699,676
 TOTAL NON-PROGRAMMED				
CHARGES	\$ 706,874	\$ 706,874	\$ 0	\$ 699,676
 Total Direct Expenditures Disbursed	\$1,137,515	\$1,141,502	\$ (3,987)	\$1,084,459

The accompanying notes are an integral part of the financial statements.

Kankakee Area Regional Vocational Education System
Bourbonnais, Illinois
Notes to the Financial Statements
for the Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The organization's accounting policies conform to the cash basis of accounting as defined by the Illinois State Board of Education Audit Guide.

In June 1999, the Government Accounting Standards Board (GASB) issued *Statement 34 Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. The Statement establishes new financial reporting requirements for state and local governments throughout the United States. Implementation was required for fiscal year ending June 30, 2004. The district elected not to implement GASB 34. Instead, the district adopted a regulatory basis of accounting as prescribed the Illinois State Board of Education.

(A) Principals Used to Determine Scope of Entity

The Entity's reporting entity includes the districts governing board and all related organizations for which the entity exercises oversight responsibility.

The entity has developed criteria to determine whether outside agencies with activities which benefit the citizens of the organization, including agreements with numerous districts, whose pupils are serviced by the organization, should be included within its financial reporting entity. The criteria include, but it's not limited to, whether the organization exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

The numerous districts have been determined not to be part of this organization after applying the manifesting of oversight, scope of public service and special financing relationships criteria and are therefore excluded from the accompanying financial statements because the organization does not control the assets, operations or management of the entity.

The Entity has determined that the Kankakee Area Career Center meets the above criteria; however, since Kankakee Area Career Center separately reports to the Illinois State Board of Education, it has not been included as a component unit in this financial report. Financial statements of the Kankakee Area Career Center can be obtained from the administrative offices at 4083 N 1000W Road, Bourbonnais, Illinois 60914. In addition, the organization is not aware of any entity which would exercise such oversight as to result in the organization being considered a component unit of the entity.

(B) Basis of Presentation - Fund Accounting

The accounts of the district are organized on the basic of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets and liabilities (arising from cash transactions), fund balance, revenues received, and expenditures disbursed.

The entity maintains individual funds required by the State of Illinois. The district does not summarize or group the various funds by type. Entity resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The following funds and account groups are used by the entity:

GOVERNMENTAL FUND TYPES

Governmental Funds are those through which most governmental functions of the organization are financed. The acquisition use and balances of the organization's expendable financial resources and the related liabilities (arising from cash transactions) are accounted for through governmental funds.

The General Fund, which consists of the Educational Fund, is the general operating fund of the organization. It is used to account for all financial resources except those required to be accounted for in another fund.

GOVERNMENTAL AND EXPENDABLE TRUST FUNDS – MEASUREMENT FOCUS

The financial statements of all governmental funds and Expendable Trust Funds focus on the measurement of spending or "financial flow" and the determination of changes in financial position rather than upon net income determination. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (cash receipts and other financing sources) and decreases (cash disbursements and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

GENERAL FIXED ASSETS & GENERAL LONG-TERM DEBT ACCOUNT GROUP

No depreciation has been provided on fixed assets. Accumulated depreciation totaling \$1,409,986 has been reported on the Illinois Local Education Agency's annual financial report, based on useful lives established by the Illinois State Board of Education are as follows:

Land	N/A
Buildings & Improvements	50
Improvements other than buildings	20
Equipment	3-10

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. The organization capitalizes all assets over \$500.

The organization records purchase of property and equipment as expenditures of various funds when paid.

Long term liabilities expected to be financed from Debt Service Funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds. Proceeds from sales of bonds are included as receipts in the appropriate fund on the date received. Related principal payable in the future is recorded at the same time in the General Long-Term Debt Account Group.

The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

(C) **Basis of Accounting**

Basis of accounting refers to when revenues received, and expenditures disbursed are recognized in the accounts and how they are reported in the financial statements. The organization maintains its accounting records for all funds and account groups on the cash basis of accounting under guidelines prescribed by the Illinois State Board of Education. Accordingly, revenue is recognized and recorded in the accounts when cash is received. In the same manner expenditures are recognized and recorded upon the disbursement of cash. Assets of a fund are only recorded when a right to receive cash exist which arises from a previous cash transaction. Liabilities of a fund, similarly, result from previous cash transactions.

Cash basis financial statements omit the recognition of receivables and payables and there accrued and deferred items that do not arise from previous cash transactions.

(D)

Budgets and Budgetary Accounting

The budget for all Governmental Fund Types is prepared on the cash basis of accounting which is the same basis that is used in financial reporting. This allows for comparability between budget and actual amounts. This is an acceptable method in accordance with Chapter 122, paragraph 17.1 of the Illinois Revised Statutes. The budget, which was not amended, was passed on August 11, 2022.

For each fund, total fund expenditures may not legally exceed the budget amounts. The budget lapses at the end of each fiscal year.

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

1. Prior to July 1, the Director submits to the Board of Education a proposed operating budget for the fiscal year commencing on that date. The operating budget includes proposed expenditures disbursed and the means of financing them.
2. A public hearing is conducted to obtain taxpayers comments.
3. Prior to October 1, the budget is legally adopted through passage of a resolution.
4. Formal Budgetary integration is employed as a management control device during the year.
5. The Board of Education may make transfers between the various items in any fund not exceeding in the aggregate 10% of the total of such funds as set forth in the budget.
6. The Board of Education may amend the budget (in other ways) by the same procedures required of its original adoption.

(E)

Investments

Investments are stated at the lower cost or market. The district has adopted a formal written investment and cash management policy. The institutions in which investments are made were approved by the Board of Education.

(F)

Inventories

Inventory consists of expendable supplies held for consumption. The amount of inventory was not considered material; therefore, no value is included in the financial statements.

(G)

Total Memorandum Only

The "Total Memorandum Only" column represents the aggregation (by addition) of the line item amounts reported for each fund type and account group. No consolidating or other eliminations were made in arriving at the totals; thus, they do not present consolidated information.

These totals are presented only to facilitate financial analysis and are not intended to reflect the financial position or results of operations of the district as a whole.

2. CASH AND INVESTMENTS

As of June 30, 2022, the entity had the following cash deposits and investments:

Cash deposits with local financial institutions	<u>\$57,069</u>
Total Cash and Investments	<u>\$57,069</u>

Investments Authorized by *Illinois Compiled Statutes* and the District's Investment Policy:
The entity is allowed to invest in securities as authorized by Chapter 30 Section ILCS 235/2, 235/5 and 105 ILCS 5/8-7 of the *Illinois Compiled Statutes*. The entity's investment policy is consistent with the *Illinois Compiled Statutes*.

Disclosures Relating to Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the investment maturity, the greater the sensitivity of its fair value to changes in market interest rates. The Entity's investment policy does not specifically address interest rate risk; however, one of the ways the Entity manages its exposure to interest rate risk is by limiting its purchases of long-term investments. At June 30, 2011, the Entity's investments were deposits in financial institutions. The deposits are all demand deposits.

None of the Entity's investments are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Entity's investment policy requires a rating at the time of the purchase at one of the three highest classifications established by at least two standard rating services. The Entity's deposits with financial institutions are not subject to credit risk rating.

Concentration of Credit Risk:

The investment policy of the entity contains no limitations on the amount that can be invested in any one issuer. Deposits with financial institutions are exempt from the 5% investment in any one issuer disclosure.

Custodial Credit Risk-Deposits

Custodial Credit Risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. *Illinois Compiled Statutes* do not contain requirements that would limit the exposure to custodial credit risk for deposits. However, the entity's investment policy requires that all amounts deposited or invested with financial institutions in excess of any insurance limit be collateralized by securities held by the entity in the entity's name.

The district deposits with financial institutions were fully collateralized during the year.

Foreign Currency Risk:

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair values of an investment or deposit. None of the entity's investments are directly subject to foreign currency risk.

3. CHANGES IN GENERAL FIXED ASSETS

	<u>Balance</u> <u>7/01/22</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/23</u>
Capitalized Equipment	\$1,771,514	\$ 48,712	\$-0-	\$1,820,226
Accumulated Dept.	<u>1,409,986</u>	<u>59,679</u>	<u>-0-</u>	<u>1,469,665</u>
Total Net Fixed Assets	<u>\$ 361,528</u>	<u>\$ (10,967)</u>	<u>\$-0-</u>	<u>\$ 350,561</u>

4. RETIREMENT PLANS

The Entity's personnel are treated as employees of the Kankakee Area Career Center and are included on its payroll for reporting purposes.

The Kankakee Area Career Center contributes to the Illinois Municipal Retirement Fund an (IMRF) 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 financial report that includes financial statements and required supplemental information. That report may be obtained on-line at www.imrf.org. The total Entity's payroll subject to IMRF was \$165,438 for the year ended June 30, 2022.

The Kankakee Area Career Center also contributes to the Teachers' Retirement System. The Organization's payroll subject to TRS was \$64,229 for the year ended June 30, 2022.

5. OVER-EXPENDITURE OF BUDGET

The entity Education Fund exceeded the budget by #3,987 during the 2023 fiscal year.

6. ACCUMULATED UNPAID VACATION AND SICK PAY

The liability of the entity for accumulated vacation has not been recorded in the General Long-Term Account Group.

No liability is recorded in governmental funds since the current portion of the liability is not considered significant and cannot be reasonably estimated.

7. CONTINGENCIES

The entity receives funding from state and federal grant funds which are subject to audit by the granting agencies. The entity received these funds based on expenditure reports submitted by the district. The School Board believes any adjustments that may arise from these audits will be insignificant to the district.

8. RISK MANAGEMENT

The entity's risk management are recorded in the Tort Fund and automobile coverage in the Transportation Fund of the Kankakee Area Career Center. Significant losses are covered by commercial insurance for all major programs (i.e., general, property, liability and workman's compensation). Settlement amounts have not exceeded insurance coverage for the current year or the three prior years. During the year ended June 30, 2023, there were no significant reductions in coverage.

9. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

10. BENEFITS

A) Employment Benefit

The organization's personnel are treated as employees of the Kankakee Area Regional Vocational Education System and are included on its payroll for insurance purposes. The Kankakee Area Regional Vocational Education System maintains a health insurance policy for the organization's employees. That organization pays towards the premium for all full-time employees. That organization is obligated for monthly premiums and can withdraw with proper notice. Coverage's are provided for all medical issues.

B) Post-Employment Benefit

Retired employees can receive health insurance benefits through the system they receive retirement. The organization also offers Cobra Insurance to employees that need health insurance after retirement. The retirees pay the full cost of insurance.

11. INTERFUND RECEIVABLES AND PAYABLE

There were no loans during the fiscal year ended June 30, 2023.

12. INTERFUND TRANSFERS

There were no interfund transfers made in the fiscal year ended June 30, 2023.

13. COMMON BANK ACCOUNTS

Separate bank accounts are not maintained for all District funds; instead, certain funds maintain their balances in a common checking account, with accounting records being maintained to show the portion of the common bank account balance attributable to each participating fund.

14. RELATED PARTY/JOINT AGREEMENTS

The organization provides vocational services for numerous school districts. The participating districts pay fees to the organization for services rendered and other related charges. The districts have their own Superintendents, who oversee their operation. Separate financial reports are available for each district.

The districts pay fees to the organization for services rendered and other fees. The organization is governed by member district superintendents. The organization has its own director, who oversees all operations. A separate financial report is available from the Kankakee Area Special Education Cooperative.

15. SUBSEQUENT EVENTS

Management evaluated subsequent events through September 22, 2021, the date which the financial statements were available to be issued and determined there were no significant events that needed to be disclosed.

16. FUND BALANCE REPORTING

According to Government Accounting Standards, fund balances are to be classified into five major classifications: Non-spendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance. The Regulatory Mode, followed by the organization, only reports Reserved and Unreserved Fund Balances. Below are definitions of the differences and a reconciliation of how these balances are reported.

- A. Non-spendable Fund Balance – the non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example inventories and prepaid amounts. Due to the cash basis nature of the district, all such items are expensed at the time of purchase, so there is nothing to report for this classification.
- B. Restricted Fund Balance – the restricted fund balance classification refers to amounts outside restrictions, not controlled by the entity. Things such as restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Special Revenue Funds are restricted for those specified purposes. The organization has several revenue sources received within different funds that also fall into these categories:
1. State Grants – proceeds from state grants and the related expenditures have been included in the Education Fund. At June 30, 2022, expenditures disbursed exceeded revenue received from state grants, resulting in no restricted balances.
 2. Federal Grants – proceeds from federal grants and the related expenditures have been included in the Education Fund. At June 30, 2022, expenditures disbursed from federal grants exceeded the revenues received for those specific purposes in the Education Fund, resulting in no restricted balances.
- C. Committed Fund Balance – the committed fund balance classification refers to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority (the Organization Board). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of formal action it employed to previously commit those amounts.
- The Entity Board commits fund balance by making motions or passing resolutions to adopt policy or to approve contracts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The Entity Board made no commitments.
- D. Assigned Fund Balance – the assigned fund balance classification refers to amounts that are constrained by the government’s intent to be used for a specific purpose but are neither restricted nor committed. Intent may be expressed by (a) the Entity Board itself, or (b) the finance committee or by the Director when the School Board has delegated the authority to assign amounts to be used for specific purposes.
- E. Unassigned Fund Balance – the unassigned fund balance classification is the residual classification for amounts in the General Operating Funds for amounts that have not been restricted, committed, or assigned to specific purposes with the General Funds. Unassigned Fund Balance amounts are shown in the financial statements as Unreserved Fund Balances in the Education.

- F. Regulatory –Fund Balance Definitions – Reserved Fund Balances are those balances that are reserved for a specific purpose, other than the regular purpose of any given fund. Unreserved Fund Balances are all balances that are not reserved for a specific purpose other than the purpose of a fund.
- G. Reconciliation of Fund Balance Reporting – the first five columns of the first table represent Balance Reporting according to generally accepted accounting principles. The two columns of the second table represent Fund Balance Reporting under the regulatory basis of accounting utilized in preparations of the financial statements.

Generally Accepted Accounting Principles

<u>Fund</u>	<u>Non-Spendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>
Education	-0-	-0-	-0-	-0-	\$57,069

<u>Fund</u>	<u>Regulatory Basis</u>	
	<u>Financial Statements - Reserved</u>	<u>Financial Statements - Unreserved</u>
Education	-0-	\$57,069

- H. Expenditures of Fund Balance- unless specifically identified, expenditures act to reduce restricted balances first, then committed balances, next assigned balances, and finally act to reduce unassigned balances. Expenditures for a specifically identified purpose will act to reduce the specific classification of fund balance that is identified.