Kankakee Area Regional Vocational Education System

Bourbonnais, Illinois

Annual Financial Report

Year Ended June 30, 2026

Russell Leigh & Associates
Certified Public Accountants
228 East Main Street
Hoopeston, IL 60942

Kankakee Area Regional Vocational Education System
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Independent Auditor's Report

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

Opinions
We have audited the accompanying financial statements of the Kankakee Area Regional Vocational Education System as of and for the fiscal year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the System'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 as of June 30, 2026, 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 1C.

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, 2026, or the changes in its financial position for the fiscal year 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 Principals
As described in Note 1C 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 1C 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 1C 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 System 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 1C. 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.

Other Reporting Required By Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued a report dated October 15, 2026 on our consideration of Kankakee Area Regional Vocational Education System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to described the scope of testing or internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Kankakee Area Regional Vocational Education System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kankakee Area Regional Vocational Education System's internal control over financial reporting and compliance.

Russell Leigh & Associates LLC

Hoopeston, Illinois
October 15, 2026

Audit / Tax / Consult
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Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

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

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 Education System as of and for the fiscal year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents and have issued our report thereon dated October 15, 2026. 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, on the regulatory 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of Kankakee Area Regional Vocational Education System's internal control. Accordingly, we do not express an opinion on the effectiveness of Kankakee Area Regional Vocational Education System's internal control.

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

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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 was not designed to 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 and Other Matters

As part of obtaining reasonable assurance about whether Kankakee Area Regional Vocational Education 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of testing, and not to provide an opinion on the effectiveness of the System'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

Russell Leigh & Associates LLC

Hoopeston, Illinois
October 15, 2026

Kankakee Area Regional Vocational Education System
Statement of Assets, Liabilities, and Fund Balance
Arising from Cash Transactions
As of June 30, 2026

ASSETS	Education	General Fixed Assets	Total Memorandum Only
Cash in Bank	$ 56,458	$ -0-	$ 56,458
Fixed Assets	-0-	2,039,097	2,039,097
TOTAL ASSETS	$ 56,458	$ 2,039,097	$ 2,095,555
LIABILITIES & FUND BALANCE			
Total Liabilities	$ -0-	$ -0-	$ -0-
Fund Balance:			
Investment in General Fixed Assets	$ -0-	$ 2,039,097	$ 2,039,097
Reserved	-0-	-0-	-0-
Unreserved	56,458	-0-	56,458
Total Fund Balance	$ 56,458	$ 2,039,097	$ 2,095,555
TOTAL LIABILITIES & FUND BALANCE	$ 56,458	$ 2,039,097	$ 2,095,555

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, 2026

REVENUE RECEIVED	Education	Total (Memorandum Only)
State Revenue	$ 1,163,642	$ 1,163,642
Federal Revenue	317,696	317,696
Total Revenue Received	$ 1,481,338	$ 1,481,338
EXPENDITURES DISBURSED		
Instruction	$ 286,459	$ 286,459
Supporting Services	227,344	227,344
Payment to Other Governmental Units	968,135	968,135
Total Expenditures Disbursed	$ 1,481,938	$ 1,481,938
Excess (Deficiency) of Revenue Received over Expenditures Disbursed	$ (600)	$ (600)
Beginning Fund Balance	57,058	57,058
Ending Fund Balance	$ 56,458	$ 56,458

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, 2026
Education Fund

REVENUE RECEIVED	Budget	Actual
State Revenue	$ 1,163,642	$ 1,163,642
Federal Revenue	318,296	317,696
Total Revenue Received	$ 1,481,938	$ 1,481,338
EXPENDITURES DISBURSED		
Instruction	$ 286,520	$ 286,459
Supporting Services	227,283	227,344
Payments to Other Governmental Units	968,135	968,135
Total Expenditures Disbursed	$ 1,481,938	$ 1,481,938
Excess (Deficiency) of Revenue Received over Expenditures Disbursed	$ -0-	$ (600)
Beginning Fund Balance	57,059	57,058
Ending Fund Balance	$ 57,059	$ 56,458

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, 2026

REVENUE RECEIVED	Education	Total (Memorandum Only)
From State Sources:		
Restricted Grants-In-Aid:		
CTE - Secondary Program Improvements	$ 1,133,298	$ 1,133,298
Other Restricted Revenue from State Sources	30,344	30,344
Total Revenue from State Sources	$ 1,163,642	$ 1,163,642
From Federal Sources:		
Restricted Grants-In-Aid:		
CTE - Other Perkins Secondary	$ 317,696	$ 317,696
Total Revenue from Federal Sources	$ 317,696	$ 317,696
Total Direct Revenue	$ 1,481,338	$ 1,481,338

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)
Year Ended June 30, 2026
Education Fund

EXPENDITURES DISBURSED	2026 Budget	2026 Actual	(Over) Under Budget	2025 Actual
Instruction:				
Regular Programs:				
Salaries	$ 37,993	$ 37,993	$ -0-	$ -0-
Employee Benefits	12,007	12,007	-0-	-0-
Total Regular Programs	$ 50,000	$ 50,000	$ -0-	$ -0-
CTE Programs:				
Salaries	$ 166,225	$ 166,225	$ -0-	$ 183,322
Employee Benefits	14,745	14,745	-0-	14,834
Purchased Services	33,706	29,745	3,961	63,222
Supplies and Materials	7,000	9,198	(2,198)	28,112
Capital Outlay	14,844	16,546	(1,702)	64,009
Total CTE Programs	$ 236,520	$ 236,459	$ 61	$ 353,499
TOTAL INSTRUCTION	$ 286,520	$ 286,459	$ 61	$ 353,499
Support Services - Pupils:				
Guidance:				
Salaries	$ -0-	$ -0-	$ -0-	$ 13,985
Employee Benefits	-0-	-0-	-0-	3,089
Purchased Services	-0-	-0-	-0-	2,800
Supplies and Materials	-0-	-0-	-0-	-0-
Total Guidance	$ -0-	$ -0-	$ -0-	$ 19,874
TOTAL SUPPORT SERVICES - PUPILS	$ -0-	$ -0-	$ -0-	$ 19,874
Support Services - Instructional Staff:				
Improvement of Instruction:				
Salaries	$ 66,000	$ 66,000	$ -0-	$ 61,120
Employee Benefits	19,571	19,571	-0-	17,323
Purchased Services	21,625	21,625	-0-	72,653
Supplies and Materials	3,153	3,215	(62)	3,496
Total Improvement of Instruction	$ 110,349	$ 110,411	$ (62)	$ 154,592
Assessment and Testing:				
Supplies and Materials	$ 5,724	$ 5,724	$ -0-	$ 6,330
Total Assessment and Testing	$ 5,724	$ 5,724	$ -0-	$ 6,330
TOTAL SUPPORT SERVICES - INSTRUCTIONAL STAFF	$ 116,073	$ 116,135	$ (62)	$ 160,922

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)
Year Ended June 30, 2026
Education Fund

	2026 Budget	2026 Actual	(Over) Under Budget	2025 Actual
Support Services - General Administration:				
Board of Education Services:				
Salaries	$ 35,372	$ 35,373	$ (1)	$ 13,349
Employee Benefits	8,574	8,574	-0-	3,226
Purchased Services	-0-	-0-	-0-	9,367
Total Board of Education Services	$ 43,946	$ 43,947	$ (1)	$ 25,942
TOTAL SUPPORT SERVICES - GENERAL ADMINISTRATION	$ 43,946	$ 43,947	$ (1)	$ 25,942
Support Services - School Administration:				
Other Support Services - School Admin				
Salaries	$ 40,440	$ 40,440	$ -0-	$ 37,297
Employee Benefits	17,069	17,068	1	16,749
TOTAL OTHER SERVICES - SCHOOL ADMINISTRATION	$ 57,509	$ 57,508	$ 1	$ 54,046
Support Services - Business:				
Fiscal Services:				
Salaries	$ -0-	$ -0-	$ -0-	$ 14,970
Employee Benefits	-0-	-0-	-0-	1,772
Purchased Services	9,755	9,754	1	9,333
Total Fiscal Services	$ 9,755	$ 9,754	$ 1	$ 26,075
TOTAL SUPPORT SERVICES - BUSINESS	$ 9,755	$ 9,754	$ 1	$ 26,075
TOTAL SUPPORT SERVICES	$ 227,283	$ 227,344	$ (61)	$ 286,859
Non-Programmed Charges:				
Payments to Other Governmental Unit (In-State):				
Other Objects	$ 968,135	$ 968,135	$ -0-	$ 760,339
Total Payments to Other Governmental Units (In-State)	$ 968,135	$ 968,135	$ -0-	$ 760,339
TOTAL NON-PROGRAMMED CHARGES	$ 968,135	$ 968,135	$ -0-	$ 760,339
TOTAL DIRECT EXPENDITURES DISBURSED	$ 1,481,938	$ 1,481,938	$ -0-	$ 1,400,697

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The System'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 by the Illinois State Board of Education.

A. Principals Used to Determine the Scope of the Reporting Entity

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

The System has developed criteria to determine whether outside agencies with activities which benefit the citizens of the System, including joint agreements which serve pupils from numerous systems, should be included within its financial reporting entity. The criteria include, but are not limited to whether the System 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 joint agreements have been determined not to be part of the reporting entity 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 System does not control the assets, operations or management of the joint agreements. In addition, the System is not aware of any entity which would exercise such oversight as to result in the System being considered a component unit of the entity.

The System 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 1000 W 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 System.

B. Basis of Presentation - Fund Accounting

The accounts of the System are organized on the basis 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, revenue received and expenditures disbursed. The System maintains individual funds required by the State of Illinois. The various funds are summarized by type in the financial statements. These funds are grouped as required for reports filed with the Illinois State Board of Education. System resources are allocated to and accounted for in individual funds based upon the purpose which they are to be spent and the means by which spending activities are controlled. The following fund types and account groups are used by the System:

GOVERNMENTAL FUND TYPES

Governmental Funds are those through which most governmental functions of the System are financed. The acquisition, use and balances of the System'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 System. 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 financial 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 AND GENERAL LONG-TERM DEBT ACCOUNT GROUP

No depreciation has been provided on fixed assets. Accumulated depreciation totaling $1,645,823 has been reported on the Illinois Local Education Agency annual financial report. The depreciation methods used are straight-line over the lives that were set by the Illinois State Board of Education are as follows:

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

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.

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 System capitalizes all assets over $5000. The System depreciates over the useful lives that are established by the Illinois State Board of Education.

The System records purchases of property and equipment as expenditures of various funds when paid.

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 and expenditures disbursed are recognized in the accounts and how they are reported on the financial statements. The System 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, revenues are 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 exists, which arises from a previous cash transaction. Liabilities of a fund, similarly, result from previous cash transactions.

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

D. Budgets and Budgetary Accounting

The budget for all Governmental Fund Types and for the Expendable Trust Fund 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 105, Section 5, Paragraph 17.1 of the Illinois Revised Statutes. The budget was passed on September 11, 2025.

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

The System 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 taxpayer 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 fund 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 of cost or market. The System 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. Inventory

Inventory consists of expendable supplies held for consumption. The amount of inventory was not considered material and therefore, no value was placed on it.

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 System as a whole.

2. CASH AND INVESTMENTS

As of June 30, 2026, the System had the following cash deposits and investments:

Cash deposits with local financial institutions	$ 56,458
Total Cash and Investments	$ 56,458

Investments Authorized by *Illinois Compiled Statutes* and the District's Investment Policy:

The System 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 System'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 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. One of the ways the System manages its exposure to interest rate risk is by limiting its purchases of long-term investments. At June 30, 2026, the System's investments were deposited in financial institutions. All deposits are demand or term deposits or government security investments with maturities less than thirteen months.

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 System's deposits with financial institutions are not subject to credit risk rating.

Concentration of Credit Risk:

The investment policy of the district 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:

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 System'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 System in the System's name.

The System's 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 Systems's investments are directly subject to foreign currency risk.

3. CHANGES IN GENERAL FIXED ASSETS

	Balance 07/01/25	Additions	Deletions	Balance 06/30/26
Capitalized Equipment	$ 2,022,551	$ 16,546	$ -0-	$ 2,039,097
Accumulated Depreciation	(1,565,847)	(79,976)	-0-	(1,645,823)
Total Net Fixed Assets	$ 456,704	$ (63,430)	$ -0-	$ 393,274

4. RETIREMENT PLANS

The System'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 that 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 System's total payroll subject to IMRF was $204,218 for the year ended June 20, 2026.

The Kankakee Area Career Center also contributes to the Teachers' Retirement System. The organization's payroll subject to TRS was $59,000 for the year ended June 30, 2026.

5. OVER-EXPENDITURE OF BUDGET

The System's Education Fund operated within the budget during the 2026 fiscal year.

6. ACCUMULATED UNPAID VACATION AND SICK PAY

The liability of the System 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.

7. CONTINGENCIES

The System receives grant funds from various federal and state agencies during the normal course of operations. These grants are subject to review and audit by agents of the appropriate federal or state agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of the funds. Any liability for reimbursements which may arise as the result of these audits is not believed to be material.

8. RISK MANAGEMENT

The System'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 (i.e., property, liability, workmen's comp.) for all major programs. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

10. BENEFITS

A) Employment Benefit
The System'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 System'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 the insurance.

11. INTERFUND RECEIVABLES AND PAYABLES

There were no loans during the fiscal year ended June 30, 2026.

12. INTERFUND TRANSFERS

There were no interfund transfers made in the fiscal year ended June 30, 2026.

13. COMMON BANK ACCOUNTS

Separate bank accounts are not maintained for all of the System's 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 System 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 October 15, 2026, 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 Employer, 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 employer, 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 that are subject to 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 by definition restricted for those specified purposes. The employer 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, 2026, 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, 2026, 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 School 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 or committed. Intent may be expressed by (a) the Entity Board itself, or (b) the finance committee or by the Director when the Entity 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 are Unreserved Fund Balances in the Education Fund.

F. Regulatory - Fund Balance Definitions - Reserved Fund Balances are those balances that are reserved for a specified 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 specified purpose of a fund.

G. Reconciliation of Fund Balance Reporting - the first five columns of the first table represent Fund 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			Regulatory Basis	
Fund	Restricted	Committed	Unassigned	Financial Statements Reserved	Financial Statements Unreserved
Education	0	0	56,458	0	56,458

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.