

**DUPAGE AREA OCCUPATIONAL  
EDUCATION SYSTEM**

**FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEAR ENDED  
JUNE 30, 2020**

**AND  
INDEPENDENT AUDITORS' REPORT**

# DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM

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AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

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# DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
DuPage Area Occupational Education System  
Addison, Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the DuPage Area Occupational Education System, Illinois, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the DuPage Area Occupational Education System'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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 over financial reporting relevant to the DuPage Area Occupational Education System'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 DuPage Area Occupational Education System'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.

To the Board of Directors  
DuPage Area Occupational Education System

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the DuPage Area Occupational Education System, Illinois, as of June 30, 2020 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents 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.

#### *Supplementary Information*

Our audit for the year ended June 30, 2020 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the DuPage Area Occupational Education System's basic financial statements. The supplementary information for the year ended June 30, 2020 as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 for the year ended June 30, 2020, 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 supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2020.

To the Board of Directors  
DuPage Area Occupational Education System

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the DuPage Area Occupational Education System as of and for the year ended June 30, 2019 (not presented herein), and have issued our report thereon dated September 25, 2019, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. The supplementary information for the year ended June 30, 2019 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2019 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2019 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2019.

*Prior-Year Comparative Information*

We have previously audited the DuPage Area Occupational Education System's 2019 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated September 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2020 on our consideration of the DuPage Area Occupational 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the DuPage Area Occupational 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 the DuPage Area Occupational Education System's internal control over financial reporting and compliance.



Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)  
Oak Brook, Illinois  
September 30, 2020

# DuPage Area Occupational Education System Management's Discussion and Analysis (Unaudited) As of and for the Year Ended June 30, 2020

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The discussion and analysis of DuPage Area Occupational Education System's ("DAOES") financial performance provides an overall review of DAOES's financial activities as of and for the year ended June 30, 2020. The management of DAOES encourages readers to consider the information presented herein in conjunction with the basic financial statements to enhance their understanding of DAOES's financial performance. All amounts, unless otherwise indicated, are expressed in thousands of dollars. Certain comparative information between the current year and the prior is required to be presented in the Management's Discussion and Analysis (the "MD&A").

## Financial Highlights

- > In total, net position increased by \$819. This represents a 6% increase from 2019 and DAOES's financial status continues to be strong.
- > General revenues accounted for \$177 in revenue or 2% of all revenues. Program specific revenues in the form of charges for services and fees and grants accounted for \$11,365 or 98% of total revenues of \$11,542.
- > DAOES had \$10,723 in expenses related to government activities, of which all of these expenses were offset by program specific charges and grants.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the DAOES's basic financial statements. The basic financial statements are comprised of three components:

- > Government-wide financial statements,
- > Fund financial statements, and
- > Notes to basic financial statements.

This report also contains other supplementary information in addition to the basic financial statements.

### *Government-wide financial statements*

The government-wide financial statements are designed to provide readers with a broad overview of DAOES's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of DAOES's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of DAOES is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the fiscal year being reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

# **DuPage Area Occupational Education System Management's Discussion and Analysis (Unaudited) As of and for the Year Ended June 30, 2020**

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The government-wide financial statements present the functions of DAOES that are principally supported by tuition and intergovernmental revenues (governmental activities). DAOES has no business-type activities; that is, functions that are intended to recover all or a significant portion of their costs through user fees and charges. DAOES's governmental activities include instructional services, supporting services, operation and maintenance of facilities and transportation services.

## *Fund financial statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. DAOES uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of DAOES can be divided into two categories: governmental funds and fiduciary funds (the DAOES maintains no proprietary funds).

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating an organization's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

DAOES maintains two individual funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and Transportation Fund, each of which is considered to be a major fund.

DAOES adopts an annual budget for each of the funds listed above. A budgetary comparison schedule has been provided for each fund to demonstrate compliance with this budget.

Fiduciary funds are used to account for resources held for the benefit of parties outside of DAOES. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support DAOES's own programs. The accounting used for fiduciary funds is much like that for the government-wide financial statements.

## *Notes to basic financial statements*

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## *Other information*

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning DAOES's progress in funding its obligation to provide pension and post-employment benefits to employees.



**DuPage Area Occupational Education System  
Management's Discussion and Analysis (Unaudited)  
As of and for the Year Ended June 30, 2020**

**Government-Wide Financial Analysis**

DAOES's combined net position was higher on June 30, 2020, than it was the year before, increasing 6% to \$14,171.

<b>Table 1</b>		
<b>Condensed Statements of Net Position</b>		
<b>(in thousands of dollars)</b>		
	<u>2019</u>	<u>2020</u>
<b>Assets:</b>		
Current and other assets	\$ 11,837	\$ 12,590
Capital assets	<u>6,428</u>	<u>6,404</u>
Total assets	<u>18,265</u>	<u>18,994</u>
Total deferred outflows of resources	<u>749</u>	<u>392</u>
<b>Liabilities:</b>		
Current liabilities	138	168
Long-term debt outstanding	<u>4,047</u>	<u>3,453</u>
Total liabilities	<u>4,185</u>	<u>3,621</u>
Total deferred inflows of resources	<u>1,477</u>	<u>1,594</u>
<b>Net position:</b>		
Net investment in capital assets	6,428	6,404
Unrestricted	<u>6,924</u>	<u>7,767</u>
Total net position	<u>\$ 13,352</u>	<u>\$ 14,171</u>

Revenues in the governmental activities of DAOES of \$11,542 exceeded expenses by \$819. This was attributable primarily to a slight increase in state and federal funding, increase in investment earnings; as well as depreciation expense decreasing as a result of fully depreciated capital assets that are still in use. The additional funding will be used for future capital projects due to aging infrastructure over our facility.

**DuPage Area Occupational Education System  
Management's Discussion and Analysis (Unaudited)  
As of and for the Year Ended June 30, 2020**

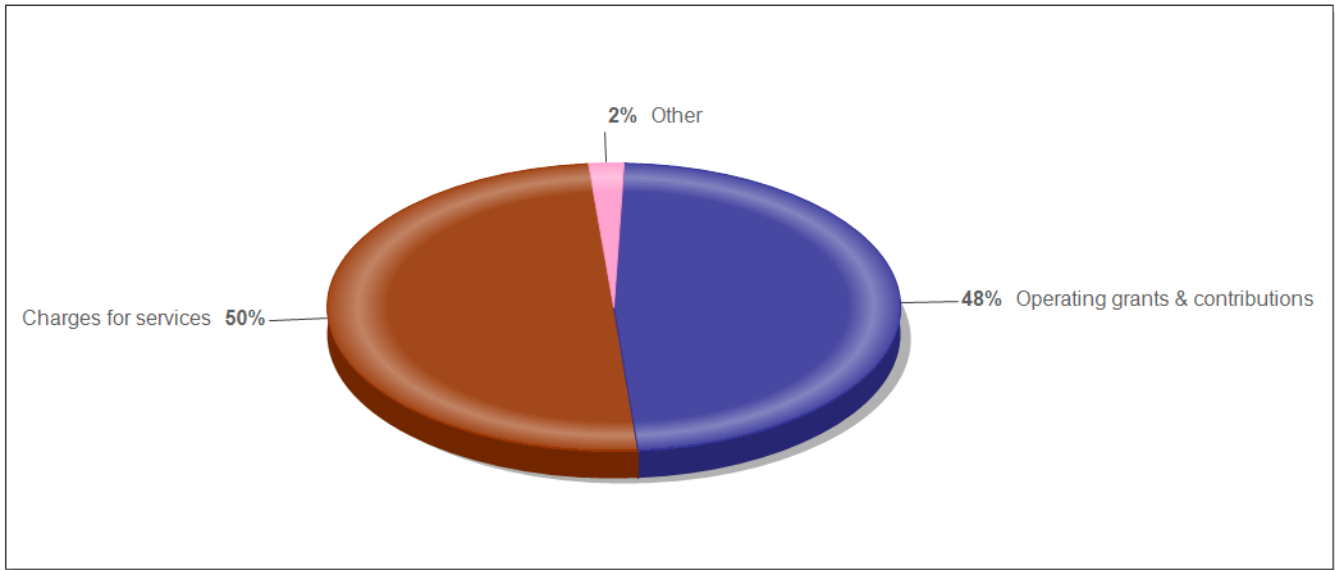
<b>Table 2</b>		
<b>Changes in Net Position</b>		
<b>(in thousands of dollars)</b>		
	<u>2019</u>	<u>2020</u>
<b>Revenues:</b>		
<i>Program revenues:</i>		
Charges for services	\$ 5,766	\$ 5,753
Operating grants & contributions	5,413	5,612
<i>General revenues:</i>		
Other	<u>150</u>	<u>177</u>
Total revenues	<u>11,329</u>	<u>11,542</u>
<b>Expenses:</b>		
Instruction	6,257	5,714
Pupil & instructional staff services	742	661
Administration & business	1,228	1,240
Operations & maintenance	1,073	1,110
Other	<u>1,984</u>	<u>1,998</u>
Total expenses	<u>11,284</u>	<u>10,723</u>
Excess (deficiency) of revenues over expenses before special items	<u>45</u>	<u>819</u>
Increase (decrease) in net position	45	819
Net position, beginning of year	<u>13,307</u>	<u>13,352</u>
Net position, end of year	<u>\$ 13,352</u>	<u>\$ 14,171</u>

Charges for services and state and federal grants accounted for the largest portion of DAOES's revenues. The total cost of all the DAOES's program was \$10,723, mainly related to instructing and caring for the student.

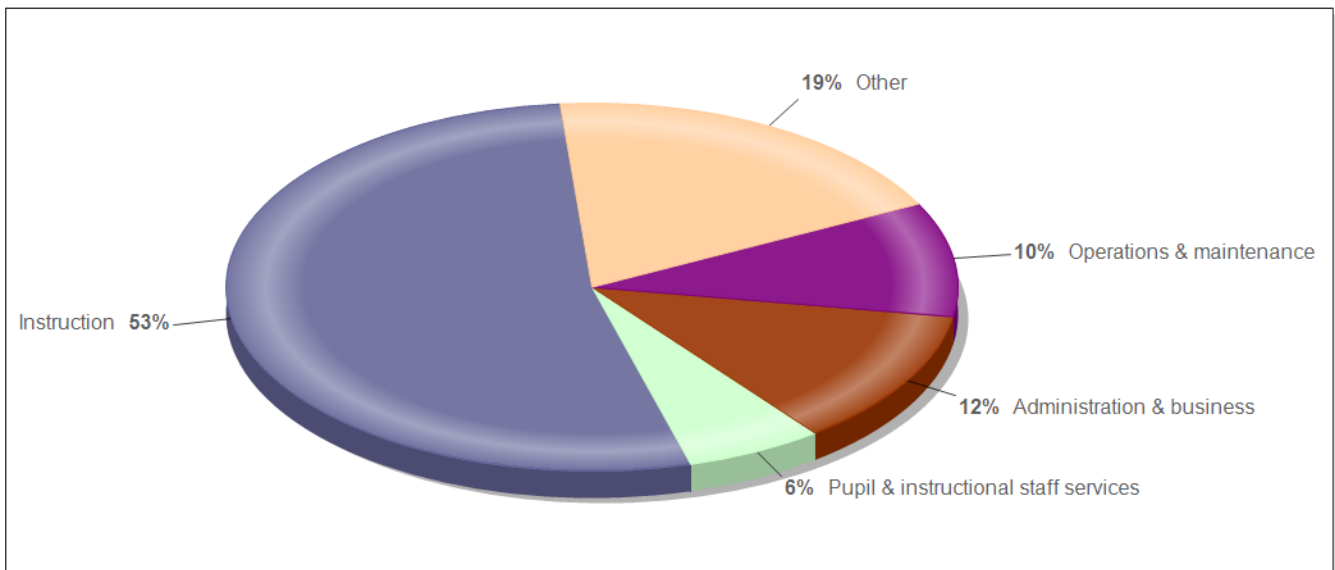
# DuPage Area Occupational Education System Management's Discussion and Analysis (Unaudited) As of and for the Year Ended June 30, 2020

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### District-Wide Revenues by Source



### District-Wide Expenses by Function



### Financial Analysis of DAOES's Funds

DAOES's Governmental Funds balance increased from \$11,572 to \$12,260. This was primarily attributable to consistent tuition as well as state and federal revenue while capital outlay expenditures decreased, as there were no major projects that occurred during the current fiscal year.

# DuPage Area Occupational Education System Management's Discussion and Analysis (Unaudited) As of and for the Year Ended June 30, 2020

## General Fund Budgetary Highlights

DAOES did not revise the annual operating budget. DAOES's adopted budget for the General Fund anticipated that expenditure and revenues would be consistent resulting in a consistent ending fund balance between fiscal year 2020 and 2021. The actual results shows an increase in fund balance of 689 due to less expenditures relating to capital outlay than expected, employee salaries reflect retirees and replacements at a lower rate and a negotiated certified staff contract, employee benefits remaining consistent with fiscal year 2019 (while budgeted amounts increased).

DAOES is constantly monitoring its cost to provide assurance that it is operating in a fiscally responsible manner.

## Capital Assets

By the end of 2020, DAOES had compiled a total investment of \$26,912 (\$6,404 net of accumulated depreciation) in a broad range of capital assets including buildings, land and equipment. Total depreciation expense for the year was \$533. More detailed information about capital assets can be found in Note 3 of the basic financial statements.

<b>Table 3</b>		
<b>Capital Assets (net of depreciation)</b>		
<b>(in thousand of dollars)</b>		
	<u>2019</u>	<u>2020</u>
Land	\$ 195	\$ 195
Building improvements	5,239	4,934
Equipment	938	1,222
Land improvements	56	53
Total	<u>\$ 6,428</u>	<u>\$ 6,404</u>

## Factors Bearing on the DAOES's Future

At the time these financial statements were prepared and audited, the DAOES was aware of the following circumstances that will significantly affect financial operations in the future:

### Revenues:

The State's financial status has an impact on DAOES, as DAOES receives approximately 22% of revenues from State grants and 12% of revenues from Federal grants. Local revenues make up 66% of our budget with the majority being tuition, as enrollment increases or decreases, it has an impact on our operations and we are prepared to make adjustments without compromising the level of education provided to our students. DAOES has the fund balance to finance operations for a period of time until progress is made in unfunded mandates, state, federal, and local as well as uncertain economic conditions due to COVID-19.

### Expenditures:

Life Safety – DAOES is currently working with its Board Members on reviewing major projects that need to be addressed such as roof, plumbing, building and masonry repairs. A facility survey was conducted in order to see what work is needed in order to bring the facility up to date; the costs for all repairs are approximately \$5 million.

**DuPage Area Occupational Education System  
Management's Discussion and Analysis (Unaudited)  
As of and for the Year Ended June 30, 2020**

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DuPage Area Occupational Education System objective remains for promoting and achieving academic success for all students and fiscally sound for our stakeholders.

**Requests for Information**

This financial report is designed to provide the DAOES's citizens, taxpayers, and creditors with a general overview of DAOES's finances and to demonstrate DAOES's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Business Office:

DuPage Area Occupational Education System  
301 South Swift Road  
Addison, Illinois 60101

# DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM

## STATEMENT OF NET POSITION

AS OF JUNE 30, 2020

	GOVERNMENTAL ACTIVITIES
<b>Assets</b>	
Cash	\$ 5,336,926
Investments	6,123,095
Receivables (net of allowance for uncollectibles):	
Interest	105,522
Intergovernmental	930,640
Prepaid items	94,502
Capital assets:	
Land	194,943
Capital assets being depreciated, net of accumulated depreciation	<u>6,208,781</u>
Total assets	<u>18,994,409</u>
<b>Deferred outflows of resources</b>	
Deferred outflows related to pensions	293,526
Deferred outflows related to OPEB	<u>98,080</u>
Total deferred outflows of resources	<u>391,606</u>
<b>Liabilities</b>	
Accounts payable	122,762
Salaries and wages payable	29,438
Payroll deductions payable	30
Unearned revenue	16,159
Long-term liabilities:	
Other long-term liabilities - due after one year	<u>3,452,837</u>
Total liabilities	<u>3,621,226</u>
<b>Deferred inflows of resources</b>	
Deferred inflows related to pensions	870,984
Deferred inflows related to OPEB	<u>722,559</u>
Total deferred inflows of resources	<u>1,593,543</u>
<b>Net position</b>	
Net investment in capital assets	6,403,724
Restricted for:	
Student transportation	10,164
Unrestricted	<u>7,757,358</u>
Total net position	<u>\$ 14,171,246</u>

See Notes to Basic Financial Statements

# DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUE		NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
<b>Governmental activities</b>				
Instruction:				
Other instructional programs	\$ 3,547,306	\$ 1,781,963	\$ 1,351,686	\$ (413,657)
State retirement contributions	2,166,830	-	2,166,830	-
Support Services:				
Pupils	489,198	678,876	-	189,678
Instructional staff	171,733	27,787	266,146	122,200
General administration	461,389	723,695	287,101	549,407
School administration	404,877	263,029	-	(141,848)
Business	373,057	481,239	-	108,182
Transportation	134	-	-	(134)
Operations and maintenance	1,110,063	1,315,278	-	205,215
Central	457,643	481,239	-	23,596
Payments to other districts and gov't units - excluding special education	<u>1,540,587</u>	<u>-</u>	<u>1,540,587</u>	<u>-</u>
<b>Total governmental activities</b>	<b><u>\$ 10,722,817</u></b>	<b><u>\$ 5,753,106</u></b>	<b><u>\$ 5,612,350</u></b>	<b><u>642,639</u></b>
General revenues:				
Investment income				133,369
Miscellaneous				<u>43,469</u>
Total general revenues				<u>176,838</u>
Change in net position				819,477
Net position, beginning of year				<u>13,351,769</u>
Net position, end of year				<b><u>\$ 14,171,246</u></b>

See Notes to Basic Financial Statements

**DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM  
GOVERNMENTAL FUNDS**

BALANCE SHEET

AS OF JUNE 30, 2020

WITH COMPARATIVE TOTALS AS OF JUNE 30, 2019

	GENERAL FUND	TRANSPORTATION FUND	TOTAL	
			2020	2019
<b>Assets</b>				
Cash	\$ 5,326,762	\$ 10,164	\$ 5,336,926	\$ 4,894,787
Investments	6,123,095	-	6,123,095	6,067,283
Receivables (net allowance for uncollectibles):				
Interest	105,522	-	105,522	27,961
Intergovernmental	930,640	-	930,640	744,636
Prepaid items	<u>94,502</u>	<u>-</u>	<u>94,502</u>	<u>102,568</u>
Total assets	<u>\$ 12,580,521</u>	<u>\$ 10,164</u>	<u>\$ 12,590,685</u>	<u>\$ 11,837,235</u>
<b>Liabilities</b>				
Accounts payable	\$ 122,762	\$ -	\$ 122,762	\$ 76,246
Salaries and wages payable	29,438	-	29,438	29,438
Payroll deductions payable	30	-	30	30
Unearned revenue	<u>16,159</u>	<u>-</u>	<u>16,159</u>	<u>32,132</u>
Total liabilities	<u>168,389</u>	<u>-</u>	<u>168,389</u>	<u>137,846</u>
<b>Deferred inflows of resources</b>				
Unavailable state and federal aid receivable	56,647	-	56,647	127,872
Unavailable other receivable	<u>105,523</u>	<u>-</u>	<u>105,523</u>	<u>-</u>
Total deferred inflows of resources	<u>162,170</u>	<u>-</u>	<u>162,170</u>	<u>127,872</u>
<b>Fund balance</b>				
Nonspendable	94,502	-	94,502	102,568
Restricted	-	10,164	10,164	10,298
Assigned	506,352	-	506,352	506,000
Unassigned	<u>11,649,108</u>	<u>-</u>	<u>11,649,108</u>	<u>10,952,651</u>
Total fund balance	<u>12,249,962</u>	<u>10,164</u>	<u>12,260,126</u>	<u>11,571,517</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 12,580,521</u>	<u>\$ 10,164</u>	<u>\$ 12,590,685</u>	<u>\$ 11,837,235</u>

See Notes to Basic Financial Statements



# DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION AS OF JUNE 30, 2020

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Total fund balances - governmental funds		\$ 12,260,126
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Net capital assets used in governmental activities and included in the Statement of Net Position do not require the expenditure of financial resources and, therefore, are not reported in the Governmental Funds Balance Sheet.		
		6,403,724
Certain revenues receivable by DAOES and recognized in the Statement of Net Position do not provide current financial resources and are included as deferred inflows of resources in the Governmental Funds Balance Sheet, as follows:		
Interest revenue	\$ 105,523	
Grant revenue	<u>56,647</u>	
		162,170
Deferred outflows of resources related to pensions do not relate to current financial resources and are not included in the Governmental Funds Balance Sheet.		
		293,526
Deferred outflows of resources related to OPEB do not relate to current financial resources and are not included in the Governmental Funds Balance Sheet.		
		98,080
Deferred inflows of resources related to pensions do not relate to current financial resources and are not included in the Governmental Funds Balance Sheet.		
		(870,984)
Deferred inflows of resources related to OPEB do not relate to current financial resources and are not included in the Governmental Funds Balance Sheet.		
		(722,559)
Long-term liabilities applicable to DAOES's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position.		
Balances at June 30, 2020 are:		
Net OPEB liability	\$ (2,984,104)	
Net pension liability	<u>(468,733)</u>	
		<u>(3,452,837)</u>
Net position of governmental activities		<u>\$ 14,171,246</u>

See Notes to Basic Financial Statements

**DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM  
GOVERNMENTAL FUNDS**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2020  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	GENERAL FUND	TRANSPORTATION FUND	TOTAL	
			2020	2019
<b>Revenues</b>				
State aid	\$ 3,357,138	\$ -	\$ 3,357,138	\$ 3,357,419
Federal aid	1,330,731	-	1,330,731	1,154,936
Investment income	27,846	-	27,846	114,884
Tuition	5,026,824	-	5,026,824	5,050,978
Other	769,751	-	769,751	749,764
Total revenues	<u>10,512,290</u>	<u>-</u>	<u>10,512,290</u>	<u>10,427,981</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Other instructional programs	3,094,963	-	3,094,963	3,128,390
State retirement contributions	1,171,124	-	1,171,124	1,122,909
Support Services:				
Pupils	543,505	-	543,505	522,258
Instructional staff	188,090	-	188,090	185,548
General administration	473,097	-	473,097	488,013
School administration	265,503	-	265,503	232,780
Business	380,759	-	380,759	378,352
Transportation	-	134	134	-
Operations and maintenance	1,021,823	-	1,021,823	934,738
Central	369,819	-	369,819	341,177
Payments to other districts and gov't units	1,540,587	-	1,540,587	1,607,215
Capital outlay	774,277	-	774,277	389,331
Total expenditures	<u>9,823,547</u>	<u>134</u>	<u>9,823,681</u>	<u>9,330,711</u>
Net change in fund balance	688,743	(134)	688,609	1,097,270
Fund balance, beginning of year	<u>11,561,219</u>	<u>10,298</u>	<u>11,571,517</u>	<u>10,474,247</u>
Fund balance, end of year	<u>\$ 12,249,962</u>	<u>\$ 10,164</u>	<u>\$ 12,260,126</u>	<u>\$ 11,571,517</u>

See Notes to Basic Financial Statements

**DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM**  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020

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Net change in fund balances - total governmental funds	\$	688,609
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which current year net capital outlay exceeds depreciation expense.		
		(24,313)
Certain revenues included in the Statement of Activities do not provide current financial resources and, therefore, are included as deferred inflows of resources in the fund statements:		
Interest revenue	\$ 105,523	
Grant revenue	<u>(71,225)</u>	
		34,298
In the Statement of Activities, operating expenses are measured by the amounts incurred during the year. However, certain of these items are included in the governmental funds only to the extent that they require the expenditure of current financial resources:		
State on-behalf contribution revenue	\$ 995,706	
State on-behalf contribution expense	(995,706)	
Net OPEB Liability	190,538	
Deferred outflows of resources related to OPEB	(11,376)	
Deferred inflows of resources related to OPEB	(253,154)	
Net pension liability	403,789	
Deferred outflows of resources related to pensions	(345,507)	
Deferred inflows of resources related to pensions	<u>136,593</u>	
		<u>120,883</u>
Change in net position of governmental activities	\$	<u><u>819,477</u></u>

See Notes to Basic Financial Statements

**DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM**  
**AGENCY FUND**  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AS OF JUNE 30, 2020

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	<u>AGENCY STUDENT ACTIVITY FUND</u>
<b>Assets</b>	
Cash	\$ <u>102,467</u>
Total assets	\$ <u><u>102,467</u></u>
<b>Liabilities</b>	
Due to student groups	\$ <u>102,467</u>
Total liabilities	\$ <u><u>102,467</u></u>

See Notes to Basic Financial Statements

# DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM

NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DuPage Area Occupational Education System (DAOES) is a nonprofit service organization formed by means of an intergovernmental agreement between District 86 (Hinsdale), District 87 (Glenbard), District 88 (Villa Park), District 94 (West Chicago), District 99 (Downers Grove), District 100 (Fenton), District 108 (Lake Park), District 200 (Wheaton), District 201 (Westmont), District 202 (Lisle), District 203 (Naperville), District 204 Cook (Lyons Township), District 204 DuPage (Indian Prairie), and District 205 (Elmhurst). DAOES is governed by a Board of Directors consisting of representatives from each member district.

DAOES is responsible for planning, implementing, directing and monitoring the delivery of vocational education programs within its service area. In addition, the region operates the Technology Center of DuPage whose objective is to provide specialized vocational programs in a vocational center for all students who need and can profit from such specialized training.

The accounting policies of DAOES conform to accounting principles generally accepted in the United States of America, as applicable to local governmental units of this type. The following is a summary of the more significant accounting policies of DAOES:

### Reporting Entity

This report includes all of the funds of DAOES. The reporting entity for DAOES consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. DAOES has not identified any organizations that meet this criteria.

### Basis of Presentation

#### *Government-wide Financial Statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of DAOES. The effect of interfund activity has been removed from these statements. DAOES's operating activities are all considered "governmental activities", that is, activities normally supported by taxes and intergovernmental revenues. DAOES has no operating activities that would be considered "business activities".

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) amounts paid by the recipient of goods or services offered by the program and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

# DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM

NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

### *Governmental Funds Financial Statements*

The accounts of DAOES in the governmental fund financial statements are organized and operated on the basis of funds and are used to account for DAOES's general governmental activities. Fund accounting segregates funds according to their intended purpose, and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, reserves, fund balance, revenues and expenditures. The minimum number of funds maintained is consistent with legal and managerial requirements.

Separate financial statements are provided for all governmental funds and fiduciary funds; the fiduciary funds are excluded from the government-wide financial statements.

### **Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus, while the fiduciary fund statements do not have a measurement focus. The government-wide financial statements and the fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Tuition is recognized as revenue is billed. Grants and similar items are recognized as revenue when all eligibility requirements have been met.

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both "measurable and available". "Measurable" means that the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, DAOES considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, expenditures for unmatured principal and interest on general long-term debt are recognized when due; and certain compensated absences, claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

### *Major Governmental Funds*

General Fund - the general operating fund of DAOES. It accounts for all financial resources except those required to be accounted for in another fund. This fund is primarily used for most of the instructional and administrative aspects of DAOES's operations. Revenues consist largely of fees from member districts and grants.

Special Revenue Funds - account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes, other than those accounted for in the Fiduciary Funds.

*Transportation Fund* - accounts for all revenue and expenditures made for student transportation. Revenue is derived primarily from fees received from member Districts.

### *Other Fund Types*

Fiduciary Funds - account for assets held by DAOES in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds.

# DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM

NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

*Agency Funds* - include Student Activity Funds, Convenience Accounts and Other Agency Funds. These funds are custodial in nature and do not present results of operations or have a measurement focus. Although the Board of Education has the ultimate responsibility for Activity Funds, they are not local education agency funds. Student Activity Funds account for assets held by DAOES which are owned, operated and managed generally by the student body, under the guidance and direction of adults or a staff member, for educational, recreational or cultural purposes. Convenience Accounts account for assets that are normally maintained by a local education agency as a convenience for its faculty, staff, etc.

On-behalf payments (payments made by a third party for the benefit of DAOES, such as payments made by the state to the Teachers' Retirement System) have been recognized in the financial statements.

Certain state and federal aid, and interest on investments are susceptible to accrual. Other receipts become measurable and available when cash is received by DAOES and recognized as revenue at that time.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until earned.

### *All Financial Statements*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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.

## **Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity**

### *Deposits and Investments*

State statutes authorize DAOES to invest in obligations of the U.S. Treasury, certain highly-rated commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. Investments are stated at fair value. Changes in fair value of investments are included as investment income.

### *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". These amounts are eliminated in the governmental activities column in the statement of net position. Receivables are expected to be collected within one year.

### *Unearned Revenue*

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

# DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM

NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

### *Prepaid Items*

Certain payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

### *Capital Assets*

Capital assets, which include land, land improvements, buildings and improvements, machinery, and equipment are reported in the government-wide financial statements. Capital assets are defined by DAOES as assets with an initial individual cost of more than \$500 and an estimated useful life of more than 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Depreciation of capital assets is provided using the straight-line method over the following estimated useful lives:

<i>Assets</i>	<i>Years</i>
Buildings and improvements	20-70
Land improvements	20
Machinery and equipment	11-20

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

### *Deferred Outflows of Resources*

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

### *Long-Term Obligations*

Long-term obligations are reported as liabilities in the statement of net position.

### *Deferred Inflows of Resources*

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

### *Equity Classifications*

Equity is classified as net position in the government-wide financial statements and displayed in three components:

*Net investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation.

*Restricted net position* - Consists of net position with constraints placed on its use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.



# DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM

NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

*Unrestricted net position* - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is DAOES's policy to use restricted resources first and then unrestricted resources.

Equity is classified as fund balance in the fund financial statements and displayed in five components:

*Nonspendable* - includes amounts not in spendable form, such as inventory, or amounts required to be maintained intact legally or contractually (principal endowment) (e.g. inventory, pre-paid items, permanent scholarships).

*Restricted* - includes amounts constrained for a specific purpose by external parties (e.g. Debt Service, Capital Projects, State and Federal Grant Funds).

*Committed* - includes amounts constrained for a specific purpose by a government using its highest level of decision making authority, the Board of Directors. This formal action (a resolution) must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Board of Directors that originally created the commitment.

*Assigned* - includes general fund amounts constrained for a specific purpose by the Board of Directors or by an official that has been delegated authority to assign amounts. The Board of Directors has declared that the Business Manager may assign amounts for a specific purpose. The Board of Directors may also take official action to assign amounts. Additionally, all remaining positive spendable amounts in governmental funds, other than the General Fund, that are neither restricted nor committed are considered assigned. Assignments may take place after the end of the reporting period.

*Unassigned* - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended in the General Fund is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance. In the Transportation Fund, assigned fund balance will be spent first, followed by committed fund balance, and then restricted fund balance.

# DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM

NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Governmental fund balances reported on the fund financial statements at June 30, 2020 are as follows:

The nonspendable fund balance in the General Fund is comprised of \$94,502 for prepaid items. The restricted fund balance in the Transportation Fund is for the purpose of the fund as described above in the Major Governmental Funds section. The assigned fund balances within the General Fund are for the purposes described below:

\$115,050 has been assigned for the operations and maintenance of the facility.

\$8,797 has been assigned for various future building renovations and maintenance.

\$26,505 has been assigned for upkeep of the pond.

\$356,000 has been assigned for future retirement of teachers and administrators electing early retirement.

### *Comparative Data*

The financial statements include summarized prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with DAOES's financial statements for the year ended June 30, 2019, from which such summarized information was derived.

### *Eliminations and Reclassifications*

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances were eliminated or reclassified.

## NOTE 2 - DEPOSITS AND INVESTMENTS

At year end, DAOES's cash and investments was comprised of the following:

	<b>Government- wide</b>	<b>Fiduciary</b>	<b>Total</b>
Cash	\$ 5,336,926	\$ 102,467	\$ 5,439,393
Investments	<u>6,123,095</u>	<u>-</u>	<u>6,123,095</u>
Total	<u>\$ 11,460,021</u>	<u>\$ 102,467</u>	<u>\$ 11,562,488</u>

## DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM

NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

### NOTE 2 - DEPOSITS AND INVESTMENTS - (CONTINUED)

For disclosure purposes, this amount is segregated into the following components: 1) deposits with financial institutions, which include amounts held in demand accounts, savings accounts and non-negotiable certificates of deposit 2) investments in the Illinois School District Liquid Asset Fund Plus (ISDLAF+); and 3) other investments, which consist of all investments other than certificates of deposit and investments in ISDLAF +, as follows:

	<i>Cash</i>	<i>Investments</i>	<i>Total</i>
Deposits with financial institutions	\$ 5,439,393	\$ 4,138,800	\$ 9,578,193
ISDLAF +	-	1,492,295	1,492,295
Other investments	-	492,000	492,000
Total	<u>\$ 5,439,393</u>	<u>\$ 6,123,095</u>	<u>\$ 11,562,488</u>

DAOES categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. DAOES's investments are measured using the market valuation method and valuation inputs as follows:

<i>Investment Type</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Negotiable certificates of deposit	\$ -	\$ 492,000	\$ -	\$ 492,000
Total	<u>\$ -</u>	<u>\$ 492,000</u>	<u>\$ -</u>	<u>\$ 492,000</u>

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment. DAOES has adopted an investment policy that seeks to ensure preservation of capital in the overall portfolio. The policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the policy requires the investment portfolio to be sufficiently liquid to enable DAOES to meet all operating requirements as they come due.

At year end, DAOES had the following investments subject to interest rate risk:

<i>Investment Type</i>	<i>Fair Value</i>	<i>Maturity</i>	<i>% of Portfolio</i>	<i>Interest Rate</i>
Negotiable certificate's of deposit	\$ 492,000	Less than 1 year	100.00 %	Various
Total	<u>\$ 492,000</u>		<u>100.00 %</u>	

*Credit Risk.* State Statutes limit the investments in commercial paper and corporate bonds to the top three ratings of two nationally recognized statistical rating organizations (NRSRO's). DAOES's adopted investment policy authorizes investments in any type of security as permitted by Sections 2 through 6 of the Illinois Public Funds Investment Act. Ratings were not available for the negotiable certificate's of deposit. State Statutes limit the investments in commercial paper and corporate bonds to the top three ratings of two nationally recognized statistical rating organizations (NRSRO's).

# DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM

NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

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## NOTE 2 - DEPOSITS AND INVESTMENTS - (CONTINUED)

The Illinois School District Liquid Asset Fund Plus (ISDLAF+) is a not-for-profit investment trust formed pursuant to the Illinois Municipal Code and managed by a Board of Trustees elected from participating members. The trust is not registered with the SEC as an investment company. Investments are rated AAAM and are valued at share price, which is the price for which the investment could be sold.

*Concentration of Credit Risk.* The investment policy requires diversification of the investment portfolio to eliminate risk of loss resulting in over concentration in a specific issuer, maturity or class of securities.

*Custodial Credit Risk - Deposits.* With respect to deposits, custodial credit risk refers to the risk that, in the event of a bank failure, DAOES's deposits may not be returned to it. DAOES's investment policy limits the exposure to deposit custodial credit risk by requiring all deposits in excess of FDIC insurable limits to be secured by collateral in the event of default or failure of the financial institution holding the funds. As of June 30, 2020, the bank balance of the DAOES's deposit with financial institutions totaled \$10,549,366; the total of which was collateralized and insured.

*Custodial Credit Risk - Investments.* With respect to investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. DAOES's investment policy limits the exposure to investment custodial credit risk by requiring all investments be secured by private insurance or collateral.

Separate cash and investment accounts are not maintained for all funds; instead, the individual funds maintain their invested and uninvested balances in the common checking and investment accounts, with accounting records being maintained to show the portion of the common account balance attributable to each participating fund.

## DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM

NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

### NOTE 3 - CAPITAL ASSETS

Capital asset activity for DAOES for the year ended June 30, 2020 was as follows:

	<i><b>Beginning Balance</b></i>	<i><b>Increases</b></i>	<i><b>Decreases</b></i>	<i><b>Ending Balance</b></i>
<b><i><u>Capital assets not being depreciated:</u></i></b>				
Land	\$ 194,943	\$ -	\$ -	\$ 194,943
Total capital assets not being depreciated	<u>194,943</u>	<u>-</u>	<u>-</u>	<u>194,943</u>
<b><i><u>Capital assets being depreciated:</u></i></b>				
Land improvements	1,037,085	-	-	1,037,085
Building improvements	18,271,701	47,501	-	18,319,202
Equipment	<u>7,056,315</u>	<u>460,931</u>	<u>156,569</u>	<u>7,360,677</u>
Total capital assets being depreciated	<u>26,365,101</u>	<u>508,432</u>	<u>156,569</u>	<u>26,716,964</u>
<b><i><u>Less Accumulated Depreciation for:</u></i></b>				
Land improvements	981,380	2,785	-	984,165
Building improvements	13,032,583	352,441	-	13,385,024
Equipment	<u>6,118,044</u>	<u>177,519</u>	<u>156,569</u>	<u>6,138,994</u>
Total accumulated depreciation	<u>20,132,007</u>	<u>532,745</u>	<u>156,569</u>	<u>20,508,183</u>
Net capital assets being depreciated	<u>6,233,094</u>	<u>(24,313)</u>	<u>-</u>	<u>6,208,781</u>
Net governmental activities capital assets	<u>\$ 6,428,037</u>	<u>\$ (24,313)</u>	<u>\$ -</u>	<u>\$ 6,403,724</u>

Depreciation expense was recognized in the operating activities of the DAOES as follows:

<i><b>Governmental Activities</b></i>	<i><b>Depreciation</b></i>
Other instructional programs	\$ 452,833
Business	26,637
Operations and maintenance	<u>53,275</u>
Total depreciation expense - governmental activities	<u>\$ 532,745</u>

# DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM

NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

## NOTE 4 - LONG TERM LIABILITIES

*Changes in General Long-term Liabilities.* The following is the long-term liability activity for DAOES for the year ended June 30, 2020:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Deletions</i>	<i>Ending Balance</i>	<i>Due Within One Year</i>
Net pension liability	\$ 872,522	\$ 468,951	\$ 872,740	\$ 468,733	\$ -
Net OPEB liability	<u>3,174,642</u>	<u>11,574</u>	<u>202,112</u>	<u>2,984,104</u>	<u>-</u>
Total long-term liabilities - governmental activities	<u>\$ 4,047,164</u>	<u>\$ 480,525</u>	<u>\$ 1,074,852</u>	<u>\$ 3,452,837</u>	<u>\$ -</u>

The obligations for the net OPEB liability and net pension liability will be repaid from the General Fund.

## NOTE 5 - RISK MANAGEMENT

DAOES is exposed to various risks of loss related to employee workers' compensation claims; theft of, damage to, and destruction of assets; and natural disasters. To protect from such risks, DAOES participates in the following public entity risk pools: School Employees Loss Fund (SELF) for workers' compensation claims, and Suburban School Cooperative Insurance Pool (SSCIP) for property damage and injury claims. DAOES pays annual premiums to the pools for insurance coverage. The arrangements with the pools provide that each will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain levels established by the pools. There have been no significant reductions in insurance coverage from coverage in any of the past three fiscal years.

DAOES continues to carry commercial insurance for all other risks of loss, including torts and health insurance for employees. Premiums have been recorded as expenditures in the appropriate funds. There have been no significant reductions in insurance coverage from coverage in the prior years. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS

### Teachers' Health Insurance Security

*Plan Description.* DAOES participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit post-employment healthcare plan that was established by the Illinois legislature for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants not enrolled in Medicare may participate in the state-administered participating provider option plan or choose from several managed care options. Annuitants who are enrolled in Medicare Parts A and B may be eligible to enroll in a Medicare Advantage plan.

The publicly available financial report of the THIS Fund may be found on the website of the Illinois Auditor General: <http://www.auditor.illinois.gov/Audit-Reports/ABC-List.asp>. The current reports are listed under "Central Management Services."

# DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM

NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

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## NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS - (CONTINUED)

*Benefits Provided.* The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of the THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. The plan is administered by the Illinois Department of Central Management Services (CMS) with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to TRS who are not employees of the state to make a contribution to the THIS Fund.

*On Behalf Contributions to THIS Fund.* The State of Illinois makes employer retiree health insurance contributions on behalf of DAOES. State contributions are intended to match contributions to THIS Fund from active members which were 1.24% of pay during the year ended June 30, 2020. State of Illinois contributions of \$31,558 were recognized as revenue and expenditures by DAOES during the year in the General Fund based on the current financial resources measurement basis. On the economic resources measurement basis, DAOES recognizes revenue and expenses of \$123,157 in the Governmental Activities equal to the proportion of the State of Illinois's OPEB expense associated with the employer.

*Contributions.* DAOES also makes contributions to THIS Fund. DAOES's THIS Fund contribution was 0.92% during the year ended June 30, 2020. The percentage of employer required contributions in the future will not exceed 105% of the percentage of salary actually required to be paid in the previous fiscal year. For the year ended June 30, 2020, DAOES paid \$23,414 to the THIS Fund, respectively, which was 100 percent of the required contribution for the year.

*THIS Fiduciary Net Position.* Detailed information about the THIS Fund's fiduciary net position as of June 30, 2019 is available in the separately issued THIS Annual Financial Report.

*Net OPEB Liability.* At June 30, 2020, DAOES reported a liability for its proportionate share of the net OPEB liability (first amount shown below) that reflected a reduction for the state's retiree insurance support provided to DAOES. The state's support and total are for disclosure purposes only. The amount recognized by DAOES as its proportionate share of the net OPEB liability, the related state support, and the total portion of the net OPEB liability that was associated with DAOES were as follows:

DAOES's proportionate share of the collection net OPEB liability	\$ 2,873,651
State's proportionate share of the collective net OPEB liability associated with DAOES	<u>3,891,290</u>
Total	<u><u>\$ 6,764,941</u></u>

The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019. DAOES proportion of the net OPEB liability was based on DAOES share of contributions to THIS for the measurement year ended June 30, 2019, relative to the projected contributions of all participating THIS employers and the state during that period. At June 30, 2019 and 2018, DAOES's proportion was 0.010383% and 0.011640%, respectively.

# DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM

NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

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## NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS - (CONTINUED)

*Actuarial Assumptions.* The net OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	4.00% to 9.50%
Investment Rate of Return	0.00%
Healthcare Cost Trend Rates - Initial	Non-Medicare - 8.00%; Post-Medicare - 9.00%
Healthcare Cost Trend Rates - Ultimate	4.50% with additional 0.31% added to non-Medicare costs
Fiscal Year the Ultimate Rate is Reached	2027

Mortality rates were based on the RP-2014 White Collar Annuitant Mortality Table, adjusted for TRS experience. For disabled annuitants, mortality rates were based on the RP-Disabled Annuitant table. Mortality rates for pre-retirement were based on the RP-2014 White Collar Table. All tables reflect future mortality improvements using Projection Scale MP-2017.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 through June 30, 2017.

*Discount Rate.* At June 30, 2019, the discount rate used to measure the total OPEB liability was a blended rate of 3.13%, which was a change from the June 30, 2018 rate of 3.62%. Since THIS is financed on a pay-as-you-go basis, the discount rate is based on the 20-year general obligation bond index.

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate.* The following presents the net OPEB liability of DAOES, as well as what DAOES's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.13%) or 1-percentage-point higher (4.13%) than the current discount rate:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
Net OPEB Liability	<u>\$ 3,455,132</u>	<u>\$ 2,873,651</u>	<u>\$ 2,414,347</u>



## DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM

NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

### NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS - (CONTINUED)

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate.* The following presents the net OPEB liability of DAOES, as well as what DAOES's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (initial rate of 7.00% decreasing to an ultimate rate of 3.81%) for non-Medicare coverage and initial rate of 8.00% decreasing to an ultimate rate of 3.50% for Medicare coverage) or 1-percentage-point higher (initial rate of 9.00% decreasing to an ultimate rate of 5.81%) for non-Medicare coverage and initial rate of 10.00% decreasing to an ultimate rate of 5.50% for Medicare coverage) than the current healthcare cost trend rate:

	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rate</b>	<b>1% Increase</b>
Net OPEB Liability	<u>\$ 2,321,649</u>	<u>\$ 2,873,651</u>	<u>\$ 3,619,122</u>

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.* For the year ended June 30, 2020, DAOES recognized OPEB expense of \$96,967 and on-behalf revenue and expenses of \$123,157 for support provided by the state. At June 30, 2020, DAOES's deferred outflows of resources and deferred inflows of resources related to OPEBs were from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ -	\$ 47,686
Changes in Assumptions	1,089	329,414
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	94
Changes in Proportion and Differences Between DAOES Contributions and Proportionate Share of Contributions	71,393	336,045
DAOES Contributions Subsequent to the Measurement Date	<u>23,414</u>	<u>-</u>
Total	<u>\$ 95,896</u>	<u>\$ 713,239</u>

The amount reported as deferred outflows resulting from contributions subsequent to the measurement date in the above table will be recognized as a reduction in the net OPEB liability for the year ending June 30, 2021. The remaining amounts reported as deferred outflows and inflows of resources related to OPEB (\$(640,757)) will be recognized in OPEB expense as follows in these reporting years:

	<b>Amount</b>
2021	\$ (87,907)
2022	(87,907)
2023	(87,907)
2024	(87,905)
2025	(87,883)
Thereafter	<u>(201,248)</u>
Total	<u>\$ (640,757)</u>

**DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM**

NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

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**NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS - (CONTINUED)**

**Retirees' Health Plan**

*Plan Description.* DAOES administers a single-employer defined benefit healthcare plan ("the Retirees' Health Plan"). The plan provides for eligible retirees and their spouses through DAOES which covers both active and retired members. Benefit provisions are established through and state that eligible retirees and their spouses at established contribution rates. The Retirees' Health Plan does not issue a publicly available financial report.

*Contributions and Benefits Provided.* Contribution requirements are established through personnel policy guidelines and may be amended by the action of the governing body. For personnel meeting the eligibility requirements, DAOES contributes the maximum amount of the individual TRS health insurance premium, capped at \$150 per month, provided employees follow the proper contract procedures in applying for retirement. DAOES also provides life insurance benefits of \$50,000 at no cost to personnel meeting the above requirements. Life insurance coverage ends upon the earlier of 1) the death of the retiree or 2) after a period equal to one-half the length of the teacher's consecutive full-time service at DAOES. For the year ended 2020, DAOES's contributions were \$9,010.

*Employees Covered by Benefit Terms.* At July 1, 2018, the actuarial valuation date, the following employees were covered by the benefit terms:

Retired Plan Members	8
Active Employees Not Yet Eligible	-
Active Employees Fully Eligible	<u>57</u>
Total	<u>65</u>

*Total OPEB Liability.* DAOES total OPEB liability of \$110,453 was measured as of 6/30/2020, and was determined by an actuarial valuation as of July 01, 2018.

Inflation	2.50%
Election at Retirement - Certified Employees	100.00%
Election at Retirement - IMRF Employees	0.00%
Discount Rate	2.66

Since the Retirees' Health Plan is financed on a pay-as-you-go basis, the discount rate is based on the 20 year general obligation bond index as of the measurement date of the valuation.

Mortality rates were based on RP-2014 Combined Annuitant Mortality Table for males and females.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of actual and anticipated experience.

**DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM**

NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

**NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS - (CONTINUED)**

*Changes in Total OPEB Liability.* DAOES changes in the total OPEB liability for the year ended June 30, 2020 was as follows:

	<b>Total OPEB Liability</b>
Balance at June 30, 2019	\$ 107,889
Service cost	7,147
Interest	2,885
Changes in assumptions and other inputs	1,304
Benefit payments	(9,010)
Other changes	<u>238</u>
Net Changes	<u>2,564</u>
Balance at June 30, 2020	<u>\$ 110,453</u>

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.* The following presents the total OPEB liability of DAOES, as well as what DAOES total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower ((1.00)%) or 1-percentage-point higher (1.00%) than the current discount rate:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
Total OPEB Liability	<u>\$ 117,442</u>	<u>\$ 110,453</u>	<u>\$ 104,036</u>

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.* For the year ended June 30, 2020, DAOES recognized OPEB expense of \$8,843. DAOES reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Assumption Changes	\$ <u>2,184</u>	\$ <u>9,320</u>
	<u>\$ 2,184</u>	<u>\$ 9,320</u>

The amounts reported as deferred outflows and inflows of resources related to OPEB (\$(7,136)) will be recognized in OPEB expense as follows:

	<b>Year Ending June 30,</b>	<b>Amount</b>
2021		\$ (1,188)
2022		(1,188)
2023		(1,188)
2024		(1,188)
2025		(1,188)
Thereafter		<u>(1,196)</u>
Total		<u>\$ (7,136)</u>

# DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM

NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

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## NOTE 7 - RETIREMENT SYSTEMS

The retirement plans of DAOES include the Teachers' Retirement System of the State of Illinois (TRS) and the Illinois Municipal Retirement Fund (IMRF). Most funding for TRS is provided through payroll withholdings of certified employees and contributions made by the State of Illinois on-behalf of the DAOES. IMRF is funded through property taxes and a perpetual lien of the District's corporate personal property replacement tax. Each retirement system is discussed below.

### Teachers' Retirement System

*Plan Description.* DAOES participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The TRS Board of Trustees is responsible for the System's administration.

TRS issues a publicly available financial report that can be obtained at <https://www.trsil.org/financial/cafrs/fy2019>; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling (888) 678-3675, option 2.

*Benefits Provided.* TRS provides retirement, disability, and death benefits. *Tier 1* members have TRS or reciprocal system service prior to January 1, 2011. *Tier 1* members qualify for retirement benefits at age 62 with five years of service, at age 60 with 10 years, or age 55 with 20 years. The benefit is determined by the average of the four highest years of creditable earnings within the last 10 years of creditable service and the percentage of average salary to which the member is entitled. Most members retire under a formula that provides 2.2 percent of final average salary up to a maximum of 75 percent with 34 years of service.

*Tier 2* members qualify for retirement benefits at age 67 with 10 years of service, or a discounted annuity can be paid at age 62 with 10 years of service. Creditable earnings for retirement purposes are capped and the final average salary is based on the highest consecutive eight years of creditable service rather than the last four. Disability provisions for *Tier 2* are identical to those of *Tier 1*. Death benefits are payable under a formula that is different from *Tier 1*.

Essentially all *Tier 1* retirees receive an annual 3 percent increase in the current retirement benefit beginning January 1 following the attainment of age 61 or on January 1 following the member's first anniversary in retirement, whichever is later. *Tier 2* annual increases will be the lesser of three percent of the original benefit or one-half percent of the rate of inflation beginning January 1 following attainment of age 67 or on January 1 following the member's first anniversary in retirement, whichever is later.

Public Act 100-0023, enacted in 2017, creates an optional *Tier 3* hybrid retirement plan, but it has not yet gone into effect. Public Act 100-0587, enacted in 2018, requires TRS to offer two temporary benefit buyout programs that expire on June 30, 2021. One program allows retiring *Tier 1* members to receive a partial lump-sum payment in exchange for accepting a lower, delayed annual increase. The other allows inactive vested *Tier 1* and *Tier 2* members to receive a partial lump-sum payment in lieu of a retirement annuity. Both programs began in 2019 and are funded by bonds issued by the state of Illinois.

# DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM

NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

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## NOTE 7 - RETIREMENT SYSTEMS - (CONTINUED)

*Contributions.* The State of Illinois maintains the primary responsibility for funding TRS. The Illinois Pension Code, as amended by Public Act 88-0593 and subsequent acts, provides that for years 2010 through 2045, the minimum contribution to the System for each fiscal year shall be an amount determined to be sufficient to bring the total assets of the System up to 90 percent of the total actuarial liabilities of the System by the end of fiscal year 2045.

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2020 was 9.0 percent of creditable earnings. The member contribution, which may be paid on behalf of employees by DAOES, is submitted to TRS by DAOES.

*On Behalf Contributions to TRS.* The State of Illinois makes employer pension contributions on behalf of DAOES. For the year ended June 30, 2020, State of Illinois contributions recognized by the DAOES were based on the state's proportionate share of with the pension expense associated with the DAOES, and the DAOES recognized revenue and expenses of \$2,043,673 in governmental activities based on the economic resources measurement basis and revenues and expenditures in the amount of \$1,139,566 in the General Fund based on the current financial resources measurement basis.

*2.2 Formula Contributions.* Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2020, were \$15,378, and are deferred because they were paid after the June 30, 2019 measurement date.

*Federal and Trust Fund Contributions.* When TRS members are paid from federal and special trust funds administered by the DAOES, there is a statutory requirement for the DAOES to pay an employer pension contribution from those funds.

For the year ended June 30, 2020, DAOES pension contribution was 10.66 percent of salaries paid from federal and special trust funds. Contributions for the year ended June 30, 2020, were \$9,879, which was equal to the DAOES's required contribution. These contributions are deferred because they were paid after the June 30, 2019 measurement date.

*Salary increases over 6 percent.* DAOES is also required to make a one-time contribution to TRS for members granted salary increases over 6 percent if those salaries are used to calculate a retiree's final average salary. For the year ended June 30, 2020, DAOES paid \$1,012 to TRS for employer contributions due on salary increases in excess of 6 percent.

*TRS Fiduciary Net Position.* Detailed information about the TRS's fiduciary net position as of June 30, 2019 is available in the separately issued TRS Comprehensive Annual Financial Report.

*Net Pension Liability.* At June 30, 2020, DAOES reported a liability for its proportionate share of the net pension liability (first amount shown below) that reflected a reduction for state pension support provided to DAOES. The state's support and total are for disclosure purposes only. The amount recognized by DAOES as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with DAOES were as follows:

District's proportionate share of the collective net pension liability	\$ 264,479
State's proportionate share of the collective net pension liability associated with the District	<u>18,822,673</u>
Total	<u>\$ 19,087,152</u>

# DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM

NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

## NOTE 7 - RETIREMENT SYSTEMS - (CONTINUED)

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward to June 30, 2019. DAOES's proportion of the net pension liability was based on the DAOES's share of contributions to TRS for the measurement year ended June 30, 2019, relative to the projected contributions of all participating TRS employers and the state during that period. At June 30, 2019 and 2018, the DAOES's proportion was 0.00032608 percent and 0.00038485 percent, respectively.

*Summary of Significant Accounting Policies.* For purposes of measuring the collective net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of TRS and additions to/deductions from TRS fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*Actuarial Assumptions.* The assumptions used to measure the total pension liability in the June 30, 2019 actuarial valuation included (a) 7.00% investment rate of return net of pension plan investment expense, including inflation, (b) projected salary increases varies by amount of service credit, and (c) inflation of 2.50%.

*Mortality.* Mortality rates were based on the RP-2014 White Collar Table with appropriate adjustments for TRS experience. The rates are used on a fully-generational basis using projection table MP-2017. The assumptions were based on the results of an experience study dated September 18, 2018.

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

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Real Rate of Return</i>
U.S. equities large cap	15.00 %	6.30 %
U.S. equities small/mid cap	2.00 %	7.70 %
International equities developed	13.60 %	7.00 %
Emerging market equities	3.40 %	9.50 %
U.S. bonds core	8.00 %	2.20 %
U.S. bonds high yield	4.20 %	4.00 %
International debt developed	2.20 %	1.10 %
Emerging international debt	2.60 %	4.40 %
Real estate	16.00 %	5.20 %
Commodities (real return)	4.00 %	1.80 %
Hedge funds (absolute return)	14.00 %	4.10 %
Private equity	15.00 %	9.70 %

**DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM**

NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

**NOTE 7 - RETIREMENT SYSTEMS - (CONTINUED)**

*Discount Rate.* At June 30, 2019, the discount rate used to measure the total pension liability was a blended rate of 7.00 percent, which was the same as the prior valuation. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and state contributions will be made at the current statutorily-required rates.

Based on those assumptions, TRS's fiduciary net position at June 30, 2019 was projected to be available to make all projected future benefit payments of current active and inactive members and all benefit recipients. *Tier 1's* liability is partially funded by *Tier 2* members, as the *Tier 2* member contribution is higher than the cost of *Tier 2* benefits. Due to this subsidy, contributions from future members in excess of the service cost are also included in the determination of the discount rate. All projected future payments were covered, so the long-term expected rate of return on TRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Discount Rate Sensitivity.* The following presents DAOES's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the DAOES's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
District's proportionate share of the collective net pension liability	\$ <u>323,038</u>	\$ <u>264,479</u>	\$ <u>216,332</u>

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* For the year ended June 30, 2020, DAOES recognized pension expense of \$(306,067) and on-behalf revenue of \$2,043,673 for support provided by the state. At June 30, 2020, the DAOES's deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 4,337	\$ -
Net difference between projected and actual earnings on pension plan investments	419	-
Assumption changes	5,926	5,077
Changes in proportion and differences between District contributions and proportionate share of contributions	64,308	631,093
District contributions subsequent to the measurement date	<u>25,257</u>	<u>-</u>
Total	\$ <u>100,247</u>	\$ <u>636,170</u>

# DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM

NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

## NOTE 7 - RETIREMENT SYSTEMS - (CONTINUED)

The amount reported as deferred outflows resulting from contributions subsequent to the measurement date in the above table will be recognized as a reduction in the net pension liability for the year ending June 30, 2021. The remaining amounts reported as deferred outflows and inflows of resources related to pensions (\$561,180) will be recognized in pension expense as follows:

	<i>Year Ending June 30,</i>	<i>Amount</i>
2021		\$ (165,230)
2022		(213,569)
2023		(125,082)
2024		(53,875)
2025		<u>(3,424)</u>
Total		<u>\$ (561,180)</u>

### Illinois Municipal Retirement Fund

*Plan Description.* DAOES's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. DAOES's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer pension plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained on-line at [www.imrf.org](http://www.imrf.org).

All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Public Act 96-0889 created a second tier for IMRF's Regular Plan. IMRF assigns a benefit tier to a member when he or she is enrolled in IMRF. The tier is determined by the member's first IMRF participation date. If the member first participated in IMRF before January 1, 2011, they participate in *Regular Tier 1*. If the member first participated in IMRF on or after January 1, 2011, they participate in *Regular Tier 2*.

For *Regular Tier 1*, pension benefits vest after eight years of service. Participating members who retire at or after age 60 with 8 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under *Regular Tier 1*, the pension is increased by 3% of the original amount on January 1 every year after retirement. For *Regular Tier 2*, pension benefits vest after ten years of service. Participating members who retire at or after age 67 with 10 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under *Regular Tier 2*, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of 3% of the original pension amount, or 1/2 of the increase in the Consumer Price Index of the original pension amount. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute.



# DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM

NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

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## NOTE 7 - RETIREMENT SYSTEMS - (CONTINUED)

*Plan Membership.* At December 31, 2019, the measurement date, membership of the plan was as follows:

Retirees and beneficiaries	42
Inactive, non-retired members	36
Active members	24
Total	<u>102</u>

*Contributions.* As set by statute, DAOES employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The statute requires DAOES to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The District's actuarially determined contribution rate for calendar year 2019 was 8.16 percent of annual covered payroll. DAOES also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

*Net Pension Liability/(Asset).* The net pension liability/(asset) was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability/(asset) was determined by an annual actuarial valuation as of that date.

*Summary of Significant Accounting Policies.* For purposes of measuring the net pension liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of IMRF and additions to/deductions from IMRF fiduciary net position have been determined on the same basis as they are reported by IMRF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*Actuarial Assumptions.* The assumptions used to measure the total pension liability in the December 31, 2019 annual actuarial valuation included (a) 7.25% investment rate of return, (b) projected salary increases from 3.35% to 14.25%, including inflation, and (c) price inflation of 2.50%. The retirement age is based on experience-based table of rates that are specific to the type of eligibility condition. The tables were last updated for the 2017 valuation pursuant to an experience study of the period 2014-2016.

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

**DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM**

NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

**NOTE 7 - RETIREMENT SYSTEMS - (CONTINUED)**

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Projected Returns/Risk</b>	
		<b>One Year Arithmetic</b>	<b>Ten Year Geometric</b>
Equities	37.00 %	7.05 %	5.75 %
International equities	18.00 %	8.10 %	6.50 %
Fixed income	28.00 %	3.70 %	3.25 %
Real estate	9.00 %	6.35 %	5.20 %
Alternatives	7.00 %		
Private equity		11.30 %	7.60 %
Hedge funds		N/A	N/A
Commodities		4.65 %	3.60 %
Cash equivalents	1.00 %	1.85 %	1.85 %

*Discount Rate.* The discount rate used to measure the total pension liability for IMF was 7.25%, the same rate as the prior valuation. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that DAOES contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits payments to determine the total pension liability.

*Discount Rate Sensitivity.* The following is a sensitivity analysis of the net pension liability/(asset) to changes in the discount rate. The table below presents the pension liability of DAOES calculated using the discount rate of 7.25% as well as what the net pension liability/(asset) would be if it were to be calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	<b>Current</b>		
	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
Total pension liability	\$ 6,311,897	\$ 5,718,308	\$ 5,222,382
Plan fiduciary net position	5,514,054	5,514,054	5,514,054
Net pension liability/(asset)	<u>\$ 797,843</u>	<u>\$ 204,254</u>	<u>\$ (291,672)</u>

**DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM**

NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

**NOTE 7 - RETIREMENT SYSTEMS - (CONTINUED)**

*Changes in Net Pension Liability/(Asset).* DAOES's changes in net pension liability/(asset) for the calendar year ended December 31, 2019 was as follows:

	<i>Increase (Decrease)</i>		
	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability/(Asset)</i>
	<i>(a)</i>	<i>(b)</i>	<i>(a) - (b)</i>
Balances at December 31, 2018	\$ 5,319,572	\$ 4,747,018	\$ 572,554
Service cost	91,725	-	91,725
Interest on total pension liability	377,226	-	377,226
Differences between expected and actual experience of the total pension liability	254,408	-	254,408
Benefit payments, including refunds of employee contributions	(324,623)	(324,623)	-
Contributions - employer	-	69,242	(69,242)
Contributions - employee	-	38,185	(38,185)
Net investment income	-	912,693	(912,693)
Other (net transfer)	-	71,539	(71,539)
	<u>5,718,308</u>	<u>5,514,054</u>	<u>204,254</u>
Balances at December 31, 2019	<u>\$ 5,718,308</u>	<u>\$ 5,514,054</u>	<u>\$ 204,254</u>

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* For the year ended June 30, 2020, DAOES recognized pension expense of \$207,004. DAOES's deferred outflows and inflows of resources related to pension were from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual experience	\$ 147,135	\$ -
Assumption changes	1,539	-
Net difference between projected and actual earnings on pension plan investments	-	234,814
Contributions subsequent to the measurement date	<u>44,605</u>	<u>-</u>
Total	<u>\$ 193,279</u>	<u>\$ 234,814</u>

The amount reported as deferred outflows resulting from contributions subsequent to the measurement date in the above table will be recognized as a reduction in the net pension liability/(asset) for the year ending June 30, 2021. The remaining amounts reported as deferred outflows and inflows of resources related to pensions (\$86,140) will be recognized in pension expense as follows:

	<i>Year Ending June 30,</i>	<i>Amount</i>
2021		\$ 41,889
2022		(35,984)
2023		22,717
2024		<u>(114,762)</u>
Total		<u>\$ (86,140)</u>

# DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM

NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

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## **NOTE 8 - STATE AND FEDERAL AID CONTINGENCIES**

DAOES has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

## **NOTE 9 - EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS**

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 84, *Fiduciary Activities*, GASB Statement No. 87, *Leases*, GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, GASB Statement No. 91, *Conduit Debt Obligations*, GASB Statement No. 93, *Replacement of Interbank Offered Rates*, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87, which was postponed by one and a half years.

When they become effective, application of these standards may restate portions of these financial statements.

## **NOTE 10 - ECONOMIC UNCERTAINTY CONTINGENCIES**

In December 2019, a novel strain of coronavirus was reported in Wuhan, Hubei province, China. In the first several months of 2020, the virus, SARS-CoV-2, and resulting disease, COVID-19, spread to the United States, including areas impacting DAOES. Management's evaluation of the effects of these events is ongoing, however DAOES anticipates this situation could impact investment values, investment returns, tax revenues and future state and federal funding. Management continues to monitor the market, tax collections and legislative matters that could impact state and federal funding.

**DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM**

**ILLINOIS MUNICIPAL RETIREMENT FUND**

SCHEDULE OF CHANGES IN DAOES'S NET PENSION LIABILITY  
AND RELATED RATIOS

Six Most Recent Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total pension liability</b>			
Service cost	\$ 91,725	\$ 77,837	\$ 92,196
Interest	377,226	364,863	363,426
Differences between expected and actual experience	254,408	74,128	9,739
Changes of assumptions	-	123,165	(158,740)
Benefit payments, including refunds of member contributions	<u>(324,623)</u>	<u>(292,689)</u>	<u>(267,865)</u>
<b>Net change in total pension liability</b>	398,736	347,304	38,756
<b>Total pension liability - beginning</b>	<u>5,319,572</u>	<u>4,972,268</u>	<u>4,933,512</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 5,718,308</u>	<u>\$ 5,319,572</u>	<u>\$ 4,972,268</u>
<b>Plan fiduciary net position</b>			
Employer contributions	\$ 69,242	\$ 99,080	\$ 84,099
Employee contributions	38,185	38,258	34,498
Net investment income	912,693	(305,810)	815,172
Benefit payments, including refunds of member contributions	(324,623)	(292,689)	(267,865)
Other (net transfer)	<u>71,539</u>	<u>85,475</u>	<u>(78,935)</u>
<b>Net change in plan fiduciary net position</b>	767,036	(375,686)	586,969
<b>Plan fiduciary net position - beginning</b>	<u>4,747,018</u>	<u>5,122,704</u>	<u>4,535,735</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 5,514,054</u>	<u>\$ 4,747,018</u>	<u>\$ 5,122,704</u>
<b>Employer's net pension liability - ending (a) - (b)</b>	<u>\$ 204,254</u>	<u>\$ 572,554</u>	<u>\$ (150,436)</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	96.43%	89.24%	103.03%
<b>Covered payroll</b>	\$ 848,550	\$ 789,485	\$ 766,629
<b>Employer's net pension liability as a percentage of covered payroll</b>	24.07%	72.52%	-19.62%

**Notes to Schedule:**

The District implemented GASB Statement No. 68 in fiscal year 2015. Information prior to fiscal year 2015 is not available.

Actuary valuations are as of December 31st, which is 6 months prior to the end of the fiscal year.

	<b>2017</b>	<b>2016</b>	<b>2015</b>
\$	102,653	\$ 98,285	\$ 92,815
	342,135	329,027	303,392
	101,898	(18,555)	(13,231)
	-	-	175,118
	<u>(247,302)</u>	<u>(225,027)</u>	<u>(213,038)</u>
	299,384	183,730	345,056
	<u>4,634,128</u>	<u>4,450,398</u>	<u>4,105,342</u>
\$	<u>4,933,512</u>	<u>4,634,128</u>	<u>4,450,398</u>
\$	107,608	\$ 119,764	\$ 135,229
	37,831	38,941	37,265
	294,110	21,275	246,694
	(247,302)	(225,027)	(213,038)
	<u>45,976</u>	<u>54,485</u>	<u>17,489</u>
	238,223	9,438	223,639
	<u>4,297,512</u>	<u>4,288,074</u>	<u>4,064,435</u>
\$	<u>4,535,735</u>	<u>4,297,512</u>	<u>4,288,074</u>
\$	<u>397,777</u>	<u>336,616</u>	<u>162,324</u>
	91.94%	92.74%	96.35%
\$	840,692	\$ 865,349	\$ 828,101
	47.32%	38.90%	19.60%

See Auditors' Report and Notes to Required Supplementary Information

## DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM

### ILLINOIS MUNICIPAL RETIREMENT FUND

#### SCHEDULE OF DAOES CONTRIBUTIONS

Six Most Recent Fiscal Years

	2020	2019	2018
Actuarially determined contribution	\$ 69,242	\$ 99,080	\$ 84,099
Contributions in relation to the actuarially determined contribution	<u>(69,242)</u>	<u>(99,080)</u>	<u>(84,099)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 848,550	\$ 789,485	\$ 766,629
Contributions as a percentage of covered payroll	8.16%	12.55%	10.97%
	2017	2016	2015
Actuarially determined contribution	\$ 107,609	\$ 119,764	\$ 135,228
Contributions in relation to the actuarially determined contribution	<u>(107,608)</u>	<u>(119,764)</u>	<u>(135,229)</u>
Contribution deficiency (excess)	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ (1)</u>
Covered payroll	\$ 840,692	\$ 865,349	\$ 828,101
Contributions as a percentage of covered payroll	12.80%	13.84%	16.33%

**Notes to Schedule:**

The District implemented GASB Statement No. 68 in fiscal year 2015. Information prior to fiscal year 2015 is not available.

**Valuation date:**

Actuarially determined contribution rates are calculated as of December 31 each year, which are 6 months prior to the beginning of the fiscal year in which contributions are reported.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Aggregate Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	24 years
Asset valuation method	5-Year Smoothed Market, 20% corridor
Inflation	2.50%
Salary increases	3.35% to 14.25%, including inflation
Investment rate of return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2014 Employee Mortality Table, adjusted to match current IMRF experience

**Other information:**

There were no benefit changes during the year.

See Auditors' Report and Notes to Required Supplementary Information

**DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM**  
**TEACHERS' RETIREMENT SYSTEM**  
SCHEDULE OF DAOES'S PROPORTIONATE SHARE  
OF THE COLLECTIVE NET PENSION LIABILITY AND SCHEDULE OF DAOES CONTRIBUTIONS  
Six Most Recent Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net pension liability	0.0003260817%	0.0003848471%	0.0011477468%
District's proportionate share of the net pension liability	\$ 264,479	\$ 299,968	\$ 876,857
State's proportionate share of the net pension liability	<u>18,822,673</u>	<u>20,549,096</u>	<u>19,352,519</u>
Total net pension liability	<u>\$ 19,087,152</u>	<u>\$ 20,849,064</u>	<u>\$ 20,229,376</u>
Covered payroll	\$ 2,545,008	\$ 2,553,266	\$ 2,697,526
District's proportionate share of the net pension liability as a percentage of covered payroll	10.39%	11.75%	32.51%
Plan fiduciary net position as a percentage of the total pension liability	39.60%	40.00%	39.30%
Contractually required contribution	\$ 24,464	\$ 23,498	\$ 24,338
Contributions in relation to the contractually required contribution	<u>(25,257)</u>	<u>(23,936)</u>	<u>(24,338)</u>
Contribution deficiency (excess)	<u>\$ (793)</u>	<u>\$ (438)</u>	<u>\$ -</u>
Contributions as a percentage of covered payroll	0.9924%	0.9375%	0.9022%

**Notes to Schedule:**

The District implemented GASB 68 in 2015. Information for fiscal years prior to 2015 is not applicable.

Actuary valuations are as of June 30 of the fiscal year prior to the fiscal year in which the net pension liability is reported.

**Key Assumptions:**

Long-term expected rate of return	7.00%	7.00%	7.00%
Municipal bond index	3.50%	3.87%	3.58%
Single equivalent discount rate	7.00%	7.00%	7.00%
Inflation rate	2.50%	2.50%	2.50%
Projected salary increases	4.00% to 9.50%	4.00% to 9.50%	3.25% to 9.25%
	varying by service	varying by service	varying by service

See Auditors' Report and Notes to Required Supplementary Information



<u>2017</u>	<u>2016</u>	<u>2015</u>
0.0019912757%	0.0015694881%	0.0030377000%
\$ 1,571,834	\$ 1,028,173	\$ 1,848,691
<u>20,829,843</u>	<u>17,429,075</u>	<u>17,239,498</u>
<u>\$ 22,401,677</u>	<u>\$ 18,457,248</u>	<u>\$ 19,088,189</u>
\$ 2,613,763	\$ 2,629,141	\$ 2,714,253
60.14%	39.11%	68.11%
36.40%	41.50%	43.00%
\$ 47,644	\$ 77,885	\$ 68,342
<u>(45,004)</u>	<u>(77,885)</u>	<u>(69,133)</u>
<u>\$ 2,640</u>	<u>\$ -</u>	<u>\$ (791)</u>
1.7218%	2.9624%	2.5470%
7.00%	7.50%	7.50%
2.85%	3.73%	N/A
6.83%	7.47%	7.50%
2.50%	3.00%	3.00%
3.25% to 9.25%	3.75% to 9.75%	5.75%
varying by service	varying by service	

See Auditors' Report and Notes to Required Supplementary Information

**DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM**  
**RETIREES' HEALTH PLAN**  
SCHEDULE OF CHANGES IN DAOES'S TOTAL OPEB LIABILITY  
AND RELATED RATIOS  
Three Most Recent Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability</b>			
Service cost	\$ 7,147	\$ 7,668	\$ 5,303
Interest	2,885	3,207	3,133
Differences between expected and actual experience	-	-	(6,750)
Changes of assumptions	1,304	(6,149)	1,990
Other changes	238	-	-
Benefit payments, including refunds of member contributions	<u>(9,010)</u>	<u>(7,212)</u>	<u>(18,804)</u>
<b>Net change in total OPEB liability</b>	2,564	(2,486)	(15,128)
<b>Total OPEB liability - beginning</b>	<u>107,889</u>	<u>109,889</u>	<u>125,017</u>
<b>Total OPEB liability - ending (a)</b>	<u>\$ 110,453</u>	<u>\$ 107,403</u>	<u>\$ 109,889</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	0.00%	0.00%	0.00%
<b>Covered payroll</b>	\$ 3,393,558	\$ 3,260,652	\$ 1,948,661
<b>DAOES's total OPEB liability as a percentage of covered payroll</b>	3.25%	3.29%	5.64%

**Notes to Schedule:**

DAOES implemented GASB Statement No. 75 in fiscal year 2018. Information prior to fiscal year 2018 is not available.

There is no ADC or employer contribution related to the ADC as the total OPEB liability is currently an unfunded obligation.

**DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM**  
**TEACHERS' HEALTH INSURANCE SECURITY FUND**  
SCHEDULE OF DAOES'S PROPORTIONATE SHARE  
OF THE COLLECTIVE NET OPEB LIABILITY AND SCHEDULE OF DAOES CONTRIBUTIONS  
Three Most Recent Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>
DAOES's proportion of the net OPEB liability	0.0103830000%	0.0116400000%	0.1043400000%
DAOES's proportionate share of the net OPEB liability	\$ 2,873,651	\$ 3,066,753	\$ 2,707,521
State's proportionate share of the net OPEB liability	<u>3,891,290</u>	<u>4,117,988</u>	<u>2,948,438</u>
Total net OPEB liability	<u>\$ 6,764,941</u>	<u>\$ 7,184,741</u>	<u>\$ 5,655,959</u>
Covered payroll	\$ 2,553,266	\$ 2,697,526	\$ 2,613,763
DAOES's proportionate share of the net OPEB liability as a percentage of covered payroll	112.55%	113.69%	103.59%
Plan fiduciary net position as a percentage of the total pension liability	0.25%	-0.07%	-0.17%
Contractually required contribution	\$ 23,414	\$ 23,490	\$ 23,738
Contributions in relation to the contractually required contribution	<u>(23,414)</u>	<u>(23,490)</u>	<u>(23,738)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions as a percentage of covered payroll	0.9170%	0.8708%	0.9082%

**Notes to Schedule:**

DAOES implemented GASB 68 in fiscal year 2018. Information for fiscal years prior to 2018 is not applicable.

Actuary valuations are as of June 30 of the fiscal year prior to the fiscal year in which the net OPEB liability is reported.

**Key Assumptions:**

Long-term expected rate of return	0.00%	0.00%	0.00%
Municipal bond index	3.13%	3.62%	3.56%
Single equivalent discount rate	3.13%	3.62%	3.56%
Inflation rate	2.50%	2.75%	2.75%
Healthcare cost trend rates - initial	Medicare - 9.00%	Medicare - 9.00%	Medicare - 9.00%
	Non-Medicare - 8.00%	Non-Medicare - 8.00%	Non-Medicare - 8.00%
Healthcare cost trend rates - ultimate	4.50%	4.50%	4.50%
Mortality	RP-2014 Tables	RP-2014 Tables	RP-2014 Tables

See Auditors' Report and Notes to Required Supplementary Information

**DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM  
GENERAL FUND**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2020  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	2019 ACTUAL
<b>Revenues</b>				
<b>Local sources</b>				
Summer school tuition from pupils or parents (in state)	\$ 72,600	\$ 53,043	\$ (19,557)	\$ 57,572
Summer school tuition from other LEA's (in state)	-	-	-	8,900
CTE - Tuition from pupils or parents (in state)	4,602,615	7,600	(4,595,015)	6,594
CTE - Tuition from other LEA's (in state)	365,965	4,849,116	4,483,151	4,942,848
CTE - Tuition from other sources (in state)	-	117,065	117,065	35,064
Investment income	81,764	27,846	(53,918)	114,884
Fees	100,700	465	(100,235)	270
Other pupil activity revenue	17,500	113,961	96,461	115,690
Sales - regular textbook	74,250	-	(74,250)	-
Sales - other	-	69,400	69,400	60,824
Rentals	340,861	340,630	(231)	336,906
Services provided other LEA's	201,204	201,826	622	201,005
Other	35,305	43,469	8,164	35,069
Total local sources	<u>5,892,764</u>	<u>5,824,421</u>	<u>(68,343)</u>	<u>5,915,626</u>
<b>State sources</b>				
CTE - Secondary program improvement	2,015,214	2,186,014	170,800	2,234,510
On behalf payment to TRS and THIS from the state	<u>1,514,295</u>	<u>1,171,124</u>	<u>(343,171)</u>	<u>1,122,909</u>
Total state sources	<u>3,529,509</u>	<u>3,357,138</u>	<u>(172,371)</u>	<u>3,357,419</u>
<b>Federal sources</b>				
CTE - Other	<u>1,060,177</u>	<u>1,330,731</u>	<u>270,554</u>	<u>1,154,936</u>
Total federal sources	<u>1,060,177</u>	<u>1,330,731</u>	<u>270,554</u>	<u>1,154,936</u>
Total revenues	<u>10,482,450</u>	<u>10,512,290</u>	<u>29,840</u>	<u>10,427,981</u>
<b>Expenditures</b>				
<b>Instruction</b>				
<b>CTE programs</b>				
Salaries	2,069,027	2,016,541	52,486	2,041,062
Employee benefits	563,182	462,887	100,295	482,781
On-behalf payments to TRS and THIS from the state	1,514,295	1,171,124	343,171	1,122,909
Purchased services	131,885	61,089	70,796	76,733
Supplies and materials	446,379	504,979	(58,600)	481,595
Capital outlay	166,985	533,714	(366,729)	280,079
Other objects	4,980	1,999	2,981	2,781
Total	<u>4,896,733</u>	<u>4,752,333</u>	<u>144,400</u>	<u>4,487,940</u>

See Auditors' Report and Notes to Required Supplementary Information

**DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM  
GENERAL FUND**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2020  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020		VARIANCE WITH FINAL BUDGET	2019 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
<b>Summer school programs</b>				
Salaries	\$ 46,890	\$ 45,745	\$ 1,145	\$ 41,241
Employee benefits	1,498	1,410	88	1,300
Supplies and materials	<u>6,800</u>	<u>313</u>	<u>6,487</u>	<u>897</u>
Total	<u>55,188</u>	<u>47,468</u>	<u>7,720</u>	<u>43,438</u>
Total instruction	<u>4,951,921</u>	<u>4,799,801</u>	<u>152,120</u>	<u>4,531,378</u>
<b>Support services</b>				
<b>Pupils</b>				
<b>Guidance services</b>				
Salaries	51,486	51,486	-	49,387
Employee benefits	28,388	28,379	9	27,292
Purchased services	10,000	9,707	293	11,540
Supplies and materials	<u>-</u>	<u>-</u>	<u>-</u>	<u>49</u>
Total	<u>89,874</u>	<u>89,572</u>	<u>302</u>	<u>88,268</u>
<b>Health services</b>				
Salaries	23,836	17,541	6,295	23,134
Employee benefits	25,940	3,177	22,763	3,245
Purchased services	60	7	53	18
Supplies and materials	3,340	2,856	484	2,728
Other objects	<u>-</u>	<u>80</u>	<u>(80)</u>	<u>-</u>
Total	<u>53,176</u>	<u>23,661</u>	<u>29,515</u>	<u>29,125</u>
<b>Other support services - pupils</b>				
Salaries	368,403	322,382	46,021	325,680
Employee benefits	132,797	96,378	36,419	72,658
Purchased services	8,800	6,096	2,704	3,288
Supplies and materials	4,500	5,111	(611)	3,239
Other objects	<u>1,000</u>	<u>305</u>	<u>695</u>	<u>-</u>
Total	<u>515,500</u>	<u>430,272</u>	<u>85,228</u>	<u>404,865</u>
Total pupils	<u>658,550</u>	<u>543,505</u>	<u>115,045</u>	<u>522,258</u>
<b>Instructional staff</b>				
<b>Improvement of instructional services</b>				
Salaries	147,839	145,840	1,999	146,386
Employee benefits	31,443	30,013	1,430	22,044
Purchased services	27,875	7,497	20,378	14,667
Supplies and materials	8,500	1,825	6,675	2,066
Other objects	<u>850</u>	<u>165</u>	<u>685</u>	<u>385</u>
Total	<u>216,507</u>	<u>185,340</u>	<u>31,167</u>	<u>185,548</u>

See Auditors' Report and Notes to Required Supplementary Information

**DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM  
GENERAL FUND**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2020  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020		VARIANCE WITH FINAL BUDGET	2019 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
<b>Assessment and testing</b>				
Purchased services	\$ -	\$ 2,750	\$ (2,750)	\$ -
Total	<u>-</u>	<u>2,750</u>	<u>(2,750)</u>	<u>-</u>
Total instructional staff	<u>216,507</u>	<u>188,090</u>	<u>28,417</u>	<u>185,548</u>
<b>General administration</b>				
<b>Board of education services</b>				
Purchased services	184,230	144,982	39,248	164,400
Supplies and materials	<u>2,000</u>	<u>775</u>	<u>1,225</u>	<u>1,265</u>
Total	<u>186,230</u>	<u>145,757</u>	<u>40,473</u>	<u>165,665</u>
<b>Executive administration services</b>				
Salaries	226,530	245,016	(18,486)	237,880
Employee benefits	97,215	73,683	23,532	74,366
Purchased services	12,966	5,570	7,396	6,963
Supplies and materials	2,600	1,126	1,474	912
Other objects	<u>3,000</u>	<u>1,945</u>	<u>1,055</u>	<u>2,227</u>
Total	<u>342,311</u>	<u>327,340</u>	<u>14,971</u>	<u>322,348</u>
Total general administration	<u>528,541</u>	<u>473,097</u>	<u>55,444</u>	<u>488,013</u>
<b>School administration</b>				
<b>Office of the principal services</b>				
Salaries	174,923	195,870	(20,947)	196,436
Employee benefits	74,804	56,637	18,167	28,458
Purchased services	7,600	7,073	527	406
Supplies and materials	6,471	5,424	1,047	6,791
Other objects	<u>1,700</u>	<u>499</u>	<u>1,201</u>	<u>689</u>
Total	<u>265,498</u>	<u>265,503</u>	<u>(5)</u>	<u>232,780</u>
Total school administration	<u>265,498</u>	<u>265,503</u>	<u>(5)</u>	<u>232,780</u>
<b>Business</b>				
<b>Direction of business support services</b>				
Salaries	176,471	190,277	(13,806)	189,496
Employee benefits	73,070	52,883	20,187	53,123
Purchased services	11,700	4,793	6,907	5,755
Supplies and materials	1,650	1,013	637	859
Other objects	<u>2,000</u>	<u>1,025</u>	<u>975</u>	<u>1,000</u>
Total	<u>264,891</u>	<u>249,991</u>	<u>14,900</u>	<u>250,233</u>
<b>Fiscal services</b>				
Salaries	39,319	39,319	-	33,027
Employee benefits	<u>5,584</u>	<u>6,746</u>	<u>(1,162)</u>	<u>5,951</u>
Total	<u>44,903</u>	<u>46,065</u>	<u>(1,162)</u>	<u>38,978</u>

See Auditors' Report and Notes to Required Supplementary Information

**DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM  
GENERAL FUND**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2020  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020		VARIANCE WITH FINAL BUDGET	2019 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
<b>Operation and maintenance of plant services</b>				
Salaries	\$ 216,771	\$ 221,548	\$ (4,777)	\$ 217,209
Employee benefits	107,380	98,634	8,746	97,679
Purchased services	291,175	323,961	(32,786)	239,852
Supplies and materials	459,107	377,680	81,427	379,998
Capital outlay	269,570	170,366	99,204	74,846
Other objects	<u>700</u>	<u>-</u>	<u>700</u>	<u>-</u>
Total	<u>1,344,703</u>	<u>1,192,189</u>	<u>152,514</u>	<u>1,009,584</u>
<b>Pupil transportation services</b>				
Purchased services	100	-	100	-
Supplies and materials	<u>200</u>	<u>-</u>	<u>200</u>	<u>-</u>
Total	<u>300</u>	<u>-</u>	<u>300</u>	<u>-</u>
<b>Internal services</b>				
Salaries	13,800	11,201	2,599	11,833
Employee benefits	2,634	857	1,777	951
Purchased services	103,550	67,058	36,492	71,454
Supplies and materials	<u>12,000</u>	<u>5,587</u>	<u>6,413</u>	<u>4,903</u>
Total	<u>131,984</u>	<u>84,703</u>	<u>47,281</u>	<u>89,141</u>
Total business	<u>1,786,781</u>	<u>1,572,948</u>	<u>213,833</u>	<u>1,387,936</u>
<b>Central</b>				
<b>Information services</b>				
Purchased services	79,440	11,326	68,114	8,223
Supplies and materials	1,700	982	718	90
Other objects	<u>100</u>	<u>-</u>	<u>100</u>	<u>-</u>
Total	<u>81,240</u>	<u>12,308</u>	<u>68,932</u>	<u>8,313</u>
<b>Staff services</b>				
Employee benefits	4,200	1,000	3,200	2,800
Supplies and materials	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>974</u>
Total	<u>6,200</u>	<u>1,000</u>	<u>5,200</u>	<u>3,774</u>
<b>Data processing services</b>				
Salaries	122,610	111,707	10,903	111,491
Employee benefits	61,811	46,615	15,196	53,193
Purchased services	54,100	31,822	22,278	46,032
Supplies and materials	146,237	166,367	(20,130)	118,374
Capital outlay	68,510	70,197	(1,687)	34,406
Other objects	<u>300</u>	<u>-</u>	<u>300</u>	<u>-</u>
Total	<u>453,568</u>	<u>426,708</u>	<u>26,860</u>	<u>363,496</u>
Total central	<u>541,008</u>	<u>440,016</u>	<u>100,992</u>	<u>375,583</u>
Total support services	<u>3,996,885</u>	<u>3,483,159</u>	<u>513,726</u>	<u>3,192,118</u>

See Auditors' Report and Notes to Required Supplementary Information

**DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM  
GENERAL FUND**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2020  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020		VARIANCE WITH FINAL BUDGET	2019 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
<b>Payments to other districts and governmental units</b>				
<b>Payments for CTE programs - transfers</b>				
Other objects	\$ 1,576,330	\$ 1,540,587	\$ 35,743	\$ 1,607,215
Total	<u>1,576,330</u>	<u>1,540,587</u>	<u>35,743</u>	<u>1,607,215</u>
Total payments to other districts and governmental units	<u>1,576,330</u>	<u>1,540,587</u>	<u>35,743</u>	<u>1,607,215</u>
Total expenditures	<u>10,525,136</u>	<u>9,823,547</u>	<u>701,589</u>	<u>9,330,711</u>
Net change in fund balance	<u>\$ (42,686)</u>	688,743	<u>\$ 731,429</u>	1,097,270
Fund balance, beginning of year		<u>11,561,219</u>		<u>10,463,949</u>
Fund balance, end of year		<u>\$ 12,249,962</u>		<u>\$ 11,561,219</u>

See Auditors' Report and Notes to Required Supplementary Information



**DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM  
TRANSPORTATION FUND**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2020  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020		VARIANCE WITH FINAL BUDGET	2019 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
<b>Revenues</b>				
Total revenues	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>				
<b>Support Services</b>				
<b>Business</b>				
<b>Pupil transportation services</b>				
Supplies and materials	-	134	(134)	-
Total	-	134	(134)	-
Total business	-	134	(134)	-
Total support services	-	134	(134)	-
Total expenditures	-	134	(134)	-
Net change in fund balance	<u>\$ -</u>	(134)	<u>\$ (134)</u>	-
Fund balance, beginning of year		<u>10,298</u>		<u>10,298</u>
Fund balance, end of year		<u>\$ 10,164</u>		<u>\$ 10,298</u>

See Auditors' Report and Notes to Required Supplementary Information

# DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

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## **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **Budgetary Data**

The budgeted amounts for the Governmental Funds are adopted on the modified accrual basis, which is consistent with accounting principles generally accepted in the United States of America.

The Board of Directors follows these procedures in establishing the budgetary data reflected in the general purpose financial statements:

1. The Administration submits to the Board of Directors a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted and the proposed budget is available for inspection to obtain taxpayer comments.
3. Prior to September 30, the budget is legally adopted through passage of an resolution.
4. Management is authorized to transfer budget amounts, provided funds are transferred between the same function and object codes. Management is authorized to transfer up to a legal level of 10% of the total budget between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors, after following the public hearing process mandated by law.
5. Formal budgetary integration is employed as a management control device during the year for all governmental funds.
6. All budget appropriations lapse at the end of the fiscal year.

The budget amounts shown in the financial statements are as originally adopted because there were no amendments during the past fiscal year.

### **Excess of Expenditures over Budget**

For the year ended June 30, 2020, expenditures exceeded budget in the Transportation Fund by \$134. This excess was funded by available fund balance.

**DUPAGE AREA OCCUPATIONAL EDUCATION SYSTEM**  
**ACTIVITY AND CONVENIENCE ACCOUNTS**  
SUMMARY OF ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2020

	BALANCE JUNE 30, 2019	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2020
<b>Account - activity</b>				
Skills USA	\$ 1,104	\$ 8,133	\$ 2,934	\$ 6,303
Robotics Club	245	-	-	245
Scholarship	18,037	-	2,460	15,577
Building Blocks - ECE	109	-	-	109
Building Blocks - Scholarship	1,507	-	-	1,507
Construction Club	523	-	-	523
Cosmetology Club	1,907	-	-	1,907
National Honor Society	1,557	5,426	4,935	2,048
Culinary Foundation	14,653	722	2,482	12,893
Landscape Contest	34	-	-	34
FFA Club	448	-	-	448
Auto Tech	50,268	5,139	5,444	49,963
Hospitality Club	4,680	156	999	3,837
	<u>95,072</u>	<u>19,576</u>	<u>19,254</u>	<u>95,394</u>
Total activity	<u>95,072</u>	<u>19,576</u>	<u>19,254</u>	<u>95,394</u>
<b>Account - convenience</b>				
Staff recognition	2,026	160	80	2,106
Prepaid fees	1,193	4,553	2,120	3,626
Student service awards	1,312	-	-	1,312
Miscellaneous/principal	29	-	-	29
	<u>4,560</u>	<u>4,713</u>	<u>2,200</u>	<u>7,073</u>
Total convenience	<u>4,560</u>	<u>4,713</u>	<u>2,200</u>	<u>7,073</u>
Total	<u>\$ 99,632</u>	<u>\$ 24,289</u>	<u>\$ 21,454</u>	<u>\$ 102,467</u>