THREE RIVERS EDUCATION FOR EMPLOYMENT SYSTEM

JOLIET, ILLINOIS

ANNUAL FINANCIAL REPORT

JUNE 30, 2023

THREE RIVERS EDUCATION FOR EMPLOYMENT SYSTEM

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INDEPENDENT AUDITORS' REPORT

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Independent Auditors' Report

To the Administrative Council
Three Rivers Education for Employment System
Joliet, Illinois

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Three Rivers Education for Employment System, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the System's financial statements as listed in the table of contents.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Three Rivers Education for Employment System, as of June 30, 2023, the changes in its financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of each fund of Three Rivers Education for Employment System as of June 30, 2023, and their respective cash receipts and disbursements, and budgetary results for the year then ended, on the basis of the financial reporting provisions of the Illinois State Board of Education.

Basis for Adverse and Unmodified Opinions

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

Matter giving Rise to Adverse Opinion on Governmental Activities

As described in Note 1, the financial statements are prepared by Three Rivers Education for Employment System on the basis of the financial reporting provisions of the Illinois State Board of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Illinois State Board of Education. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Illinois State Board of Education. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditors' Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Three Rivers Education for Employment System's financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly presented in all material respects in relation to the basic financial statements as a whole.

Supplemental Information

Management is responsible for the supplemental information included in the annual report. The supplemental information is comprised of the pension schedules and does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the supplemental information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the supplemental information exists, we are required to describe it in our report.

Report on Summarized Comparative Information

We previously audited Three Rivers Education for Employment System's June 30, 2022 financial statements, and we expressed an unmodified audit opinion on the regulatory basis of accounting and an adverse opinion on U.S. GAAP on those audited financial statements in our report dated July 25, 2022. The summarized comparative information presented herein as of and for the year ended June 30, 2022 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 August 24, 2023, on our consideration of Three Rivers Education for Employment System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to 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 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 Three Rivers Education for Employment System's internal control over financial reporting and compliance.

Mack & Associates, P. C.

Mack & Associates, P.C.
Certified Public Accountants

Morris, Illinois
August 24, 2023

FINANCIAL STATEMENTS

THREE RIVERS EDUCATION FOR EMPLOYMENT SYSTEM Statement A

Statement of Assets and Liabilities Arising from Cash Transactions
All Funds and Account Groups
June 30, 2023

	Educational Fund
Assets	
Cash	$ 382,949
Total Assets	$ 382,949
Fund Balance	
Fund Balance:	
Unreserved Fund Balance	$ 382,949
Total Fund Balance	$ 382,949

The Notes to Financial Statements are an integral part of this statement.

THREE RIVERS EDUCATION FOR EMPLOYMENT SYSTEM Statement B

Statement of Revenues Received, Expenditures Disbursed, Other Financing Sources (Uses), and Changes in Fund Balances - All Funds
For the Year Ended June 30, 2023

	Educational Fund	
	Year Ended June 30,	
	2023	2022
Revenues Received:		
Local Sources	$ 91,722	81,046
State Sources	2,241,059	2,298,849
Federal Sources	1,083,385	846,396
Total Direct Revenues Received	3,416,166	3,226,291
On Behalf Payments	17,602	16,657
Total Revenues Received	3,433,768	3,242,948
Expenditures Disbursed:		
Instructional	179,792	198,143
Support Services	417,771	450,722
Payments to Other Districts	2,811,641	2,774,965
Total Direct Expenditures Disbursed	3,409,204	3,423,830
On Behalf Payments	17,602	16,657
Total Expenditures Disbursed	3,426,806	3,440,487
Excess (Deficiency) of Revenues Received Over (Under) Expenditures Disbursed	6,962	(197,539)
Fund Balance, Beginning of Year	375,987	573,526
Fund Balance, End of Year	$ 382,949	375,987

The Notes to Financial Statements are an integral part of this statement.

THREE RIVERS EDUCATION FOR EMPLOYMENT SYSTEM Statement C

Statement of Revenues Received
Educational Fund
For the Year Ended June 30, 2023

	Educational Fund	
	Year Ended June 30,	
	2023	2022
Revenues Received:		
Local Sources:		
Interest on Investments	$ 3,762	466
Other Local Revenues	199	-
Other Local Fees	87,761	80,580
Total Revenue from Local Sources	91,722	81,046
State Sources:		
CTE - Secondary Program Improvement (CTEI)	2,158,889	2,134,509
Education Pathways Grant	82,170	164,340
Total Revenue from State Sources	2,241,059	2,298,849
Federal Sources:		
CTE - Perkins-Title IIIE Tech Prep	1,083,385	846,396
Total Revenue from Federal Sources	1,083,385	846,396
Total Revenues Received	$ 3,416,166	3,226,291

The Notes to Financial Statements are an integral part of this statement.

THREE RIVERS EDUCATION FOR EMPLOYMENT SYSTEM

Statement D

Statement of Expenditures Disbursed - Budget to Actual
Educational Fund
For the Year Ended June 30, 2023

	Original and Final Budget	Year Ended June 30, 2023 Actual	(Over) / Under Budget	Year Ended June 30, 2022 Actual
Expenditures Disbursed:				
Instructional:				
Regular Programs:				
Purchased Services	$ -	4,251	(4,251)	5,550
Supplies	58,434	39,188	19,246	72,950
Capital Outlay	77,436	136,353	(58,917)	119,643
Total Regular Programs	135,870	179,792	(43,922)	198,143
Total Instructional	135,870	179,792	(43,922)	198,143
Support:				
Improvement of Instruction:				
Salaries	90,276	67,474	22,802	98,364
Employee Benefits	29,011	25,932	3,079	32,947
Purchased Services	115,496	92,873	22,623	47,667
Supplies	-	-	-	617
Total Improvement of Instruction	234,783	186,279	48,504	179,595
Board of Education Services:				
Salaries	121,417	113,847	7,570	118,752
Employee Benefits	58,986	42,910	16,076	56,362
Purchased Services	36,230	28,855	7,375	20,543
Supplies	2,900	12,493	(9,593)	1,594
Capital Outlay	4,863	-	4,863	2,713
Other Objects	3,000	1,292	1,708	2,005
Total Board of Education Services	227,396	199,397	27,999	201,969
Fiscal Services:				
Purchased Services	5,000	2,840	2,160	5,106
Other Objects	-	-	-	34,900
Total Fiscal Services	5,000	2,840	2,160	40,006
Planning, Research, Development, & Evaluation Services:				
Salaries	23,907	23,907	-	20,258
Employee Benefits	10,900	5,348	5,552	8,894
Total Planning, Research, Development, & Evaluation Services	34,807	29,255	5,552	29,152
Total Support	501,986	417,771	84,215	450,722
Payments to Other Districts:				
Payments for CTE Programs:				
Other Objects	2,811,641	2,811,641	-	2,774,965
Total Payments for CTE Programs	2,811,641	2,811,641	-	2,774,965
Total Payments to Other Districts	2,811,641	2,811,641	-	2,774,965
Total Expenditures Disbursed	$ 3,449,497	3,409,204	40,293	3,423,830

The Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Three Rivers Education for Employment System (TREES) conform to the cash basis of accounting as defined by the Illinois State Board of Education Audit Guide. The following is a summary of the more significant policies.

A. Reporting Entity

Three Rivers Education for Employment System (TREES) is a joint agreement agency comprised of 12 member Districts, 2 ROEs, and 2 Career Centers. TREES operates under the applicable laws and regulations of the State of Illinois and is governed by a 12-member Administrative Council appointed by the member Districts. TREES provide staff and curriculum development for member Districts.

TREES has developed criteria to determine whether outside agencies with activities, which benefit the member of TREES, including joint agreements, which serve pupils from numerous districts, should be included within its financial reporting entity. Oversight responsibility is derived from the governmental unit's authority and includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, scope of public service, and special financing relationships. There are no component units as defined above that are included in the TREES reporting entity, also TREES is not included in any other governmental "reporting entity."

B. Fund Accounting

The accounts of TREES are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which includes its assets, liabilities, fund equity, revenue, and expenditures or expenses as appropriate. TREES maintain individual funds required by the State of Illinois. These funds are grouped as required for reports filed with the Illinois State Board of Education. TREES resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The individual fund and account groups are grouped in the financial statements and in this report as follows:

Governmental Funds

Educational Fund – The Educational Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

B. Fund Accounting – (Continued)

Account Group

General Fixed Assets Account Group – The General Fixed Assets Account Group is used to account for all fixed assets.

C. Cash and Investments

The Administrative Council adopted formal deposit and investment policies on August 19, 1999. The policies do not address types of allowable investments.

Cash and cash equivalents, which include savings and checking accounts, are stated at cost. TREES currently has no investments.

D. General Fixed Assets

During the year capital assets are not capitalized but rather they are charged to disbursements. Fixed assets acquisitions with a cost of $1,000 or more are accounted for in the General Fixed Assets Account Group and are valued at a historical cost, or estimated historical cost, if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. No depreciation has been provided on general fixed assets.

Depreciation is computed on the straight-line method over the estimated useful lives as follows:

Equipment	5 years

E. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. TREES maintains its accounting records for all funds and account groups on the cash basis of accounting under guidelines prescribed by the Illinois State Board of Education. Revenues are recognized when cash is received. Expenditures are recognized when checks are written. In determining when to recognize intergovernmental revenue from grants, the legal and contractual requirements of the individual program are used as guidance. There are, however, essentially two bases for this revenue recognition. In one, money must be expended on the specific purpose or project before any amounts will be paid to TREES; therefore, revenue is recognized based upon the expenditures recorded. In the other, money is virtually unrestricted as to the purpose of expenditure and is nearly irrevocable; therefore, these amounts are recognized as revenue at the time of the receipt. While GASB 87 and 96 were in effect as of June 30, 2023, the financial statements have not been adjusted for this as they are reported on the cash basis of accounting.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. Budgets and Budgetary Accounting

TREES prepares an annual budget for its Educational Fund. The budget is prepared on the cash basis of accounting which is the same basis that is used in financial reporting. This allows for comparability between budget and actual amounts. This is an acceptable method in accordance with Chapter 122, Paragraph 17.1 of the Illinois Revised Statutes. The budget was passed on August 25, 2022 and was not amended.

Total fund expenses paid may not legally exceed the budgeted amounts. The budget lapses at the end of the fiscal year. TREES follows these procedures in establishing the budgetary data reflected in the financial statements:

1. A proposed operating budget is submitted to the Administrative Council for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.

2. Budget hearings are conducted.

3. Prior to September 1, the budget is legally enacted through passage of a resolution.

4. The Budget may be amended by the Administrative Council.

Once the budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Administrative Council. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval.

Each budget is prepared and controlled at the revenue and expenditure functions/object level. All budget appropriations lapse at year-end.

The budget is prepared on the cash basis of accounting which is the same basis that is used in financial reporting.

G. Accumulated Unpaid Vacation, Sick Pay and Other Employee Benefit Amounts

The Director is allowed to accumulate sick leave for future use or for payment upon termination or retirement to a maximum of 180 days. The Director also receives twenty (20) paid working days of vacation in each year of the effective contract. Five (5) vacation days may be carried over into the next fiscal year with permission of the Administrative Council; otherwise unused vacation days shall be forfeited.

The non-certified staff earns vacation time after a year of continuous employment. Unused vacation days expire annually on the anniversary date of hire. Upon termination, unused earned vacation time will be paid out at pay rates in effect at that time.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

H. Restricted Resources

If both restricted and unrestricted resources are to be used for the same purpose, expenditures will first be made from restricted resources.

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS

Investment Policy

TREES is allowed to invest in securities as authorized by the School Code of Illinois, Chapter 85, Sections 902 and 906; and Chapter 122, Section 8-7.

Deposits

Custodial Credit Risk – This is the risk that in the event of the failure of a depository financial institution, TREES may not be able to recover its deposits.

TREES deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by securities held by the pledging financial institution. The FDIC currently insures the first $250,000 of TREES deposits at each financial institution. Deposit balances over $250,000 are collateralized with securities held by the pledging financial institution. At June 30, 2023, the carrying amount of TREES deposits was $382,949. The bank balance was $459,152.

As of June 30, 2023, TREES had $209,152 in uninsured deposits which were collateralized with securities held by the pledging institution.

NOTE 3: CAPITAL ASSETS

A summary of changes in capital assets follows:

	July 1, 2022	Additions	Deletions	June 30, 2023
Capital Assets:				
Equipment	$ 38,481	-	-	38,481
Total Capital Assets	38,481	-	-	38,481
Accumulated Depreciation				
Equipment	(38,481)	-	-	(38,481)
Total Accumulated Depreciation	(38,481)	-	-	(38,481)
Total Capital Assets, Net	$ -	-	-	-

NOTE 4: RETIREMENT FUND COMMITMENTS

A. Teachers' Retirement System of the State of Illinois

General Information about the Plan

Plan Description

The employer 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 non-annuitants 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 http://www.trsil.org/financial/acfrs/fy2022; 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 consecutive 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 highest 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.

NOTE 4: RETIREMENT FUND COMMITMENTS – (Continued)

A. Teachers' Retirement System of the State of Illinois – (Continued)

Benefits Provided – (Continued)

Public Act 100-0023, enacted in 2017, creates an optional Tier 3 hybrid retirement plan, but 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, 2026. 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 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.

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, 2022, was 9.0 percent of creditable earnings. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the employer.

On Behalf Contributions to TRS – The state of Illinois makes employer pension contributions on behalf of the employer. For the year ended June 30, 2023, state of Illinois contributions recognized by the employer were based on the state's proportionate share of with the pension expense associated with the employer, and the employer recognized revenue and expenditures of $16,211 in pension contributions from the state of Illinois.

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, 2023 were $896.

Federal and Special Trust Fund Contributions – When TRS members are paid from federal and special trust funds administered by the employer, there is a statutory requirement for the employer to pay an employer pension contribution from those funds. Under Public Act 100-0340, the federal and special trust fund contributions rate is the total employer normal cost beginning with the year ended June 30, 2018.

Previously, employer contributions for employees paid from federal and special trust funds were at the same rate as the state contribution rate to TRS and were much higher.

NOTE 4: RETIREMENT FUND COMMITMENTS – (Continued)

A. Teachers' Retirement System of the State of Illinois – (Continued)

Contributions – (Continued)

For the year ended June 30, 2023, the employer pension contribution was 10.49 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2023, salaries totaling $0 were paid from federal and special trust funds that required employer contributions of $0.

Employer Retirement Cost Contributions – Under GASB Statement No. 68, contributions that an employer is required to pay because of a TRS member retiring are categorized as specific liability payments. The employer is 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.

A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2023, the District paid $0 to TRS for employer contributions due on salary increases in excess of 6 percent and $0 for sick leave days granted in excess of the normal annual allotment.

B. Illinois Municipal Retirement Defined Benefit Pension Plan

IMRF Plan Description

The System's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The System's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. 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 Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

NOTE 4: RETIREMENT FUND COMMITMENTS – (Continued)

B. Illinois Municipal Retirement Defined Benefit Pension Plan – (Continued)

Benefits Provided

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

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

Employees hired *on or after* January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of:

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

Employees Covered by Benefit Terms

As of December 31, 2022, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	4
Inactive, Non-Retired Members	1
Active Members	1
Total	6

NOTE 4: RETIREMENT FUND COMMITMENTS – (Continued)

B. Illinois Municipal Retirement Defined Benefit Pension Plan – (Continued)

Contributions

As set by statute, the System's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The System's annual contribution rate and actual System contributions for calendar year 2022 and the fiscal year ended June 30, 2023 are summarized below. The System 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 IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Plan member required contribution rate		4.50%
System required contribution rate for 2022		9.12%
System required contribution rate for 2023		6.51%
System actual contributions for 2022	$	7,355
System actual contributions for fiscal year 2023	$	4,736

NOTE 5: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Teachers' Health Insurance Security Fund

The System participates in the Teachers' Health Insurance Security (THIS) Fund of the State of Illinois. THIS is a cost-sharing, multiple-employer defined benefit post-employment healthcare plan (OPEB) established by the Illinois legislature for the benefit of eligible retired Illinois public school teachers employed outside the city of Chicago (members). All System employees receiving monthly benefits from the Teachers' Retirement System (TRS) who have at least eight years of creditable service with TRS, the survivor of an annuitant or benefit recipient who had at least eight years of creditable service or a recipient of a monthly disability benefit are eligible to enroll in THIS.

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of the THIS Plan 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. The publicly available financial report of the Plan may be found on the website of the Illinois Auditor General. The current reports are listed under "Central Management Services" (http://www.auditor.illinois.gov/Audit-Reports/CMS-THISF.asp).

NOTE 5: **POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – (Continued)**

A. Teachers' Health Insurance Security Fund – (Continued)

Benefits Provided. THIS provides medical, prescription, and behavioral health benefits for eligible retirees and their dependents, 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 premiums charged reflect approximately a 75 percent subsidy for members that elect a managed care plan or elect the Teachers' Choice Health Plan (TCHP) if a managed care plan is either not available or only partially available. Members receive approximately a 50 percent subsidy if they elect the TCHP when a managed care plan is available. Medicare primary dependent beneficiaries enrolled in a managed care plan or in the TCHP when no managed care plan is available receive a premium subsidy.

Contributions. The State Employees Group Insurance Act of 1971 (5 ILCS 375/6) specifies the contribution requirements of the participating school districts and covered employees. For the year ended June 30, 2023, required contributions are as follows:

- Active members contribute .90 percent of covered payroll.
- Employers contribute .67 percent of covered payroll. The percentage of employer required contributions in the future will not exceed 105 percent of the percentage of salary actually required to be paid in the previous fiscal year. For the year ended June 30, 2023, the System paid $1,035 to the THIS Fund, which was 100 percent of the required contribution.
- The State of Illinois makes contributions on behalf of the System. State contributions are intended to match contributions to the THIS Fund from active members. The State contributed .90 percent of covered payroll. For the year ended June 30, 2023, State of Illinois contributions on behalf of the System's employees were $1,391 and the System recognized revenue and expenditures for this on-behalf contribution amount during the year in the General Fund.
- Retired members contribute through premium payments based on the coverage elected, Medicare eligibility, and the age of the member and dependents. The premium for retired members is not permitted to increase by more than 5.0 percent by year by statute. The Federal Government provides a Medicare Part D subsidy.

NOTE 6: **RISK MANAGEMENT- CLAIMS AND JUDGMENTS**

TREES is exposed to various risks of loss related to limited torts: thefts of, damage to and destruction of assets: errors, omissions and natural disasters for which TREES carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 7: CONTINGENCIES

Grant Revenues

TREES has received funding from state and federal grants which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the granting agencies. Any disallowed claims resulting from such audits could become a liability of TREES. In the opinion of TREES, any such disallowed claims will not have a material adverse effect on the overall financial position of TREES.

NOTE 8: OPERATING LEASES

TREES leased office space from Joliet Junior College for administrative activities for 12 months starting in July 2015 at a quarterly rate of $3,492. On June 17, 2021, TREES signed an extension to the lease for office space from Joliet Junior College for administrative activities through June 30, 2023. TREES leased the office space from Joliet Junior College at a rate of $3,000 per quarter. On May 25, 2023, both parties agreed to extend the lease through June 30, 2024 at the same quarterly rate.

NOTE 9: SUBSEQUENT EVENTS

Management evaluated subsequent events through August 24, 2023, the date which financial statements were available to be issued. No amounts were required to be recorded or disclosed in the financial statements as of June 30, 2023.

NOTE 10: FUND BALANCE PRESENTATION

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

	Generally Accepted Accounting Principles					Regulatory Basis	
	Non-spendable	Committed	Assigned	Restricted	Unassigned	Reserved	Unreserved
Education Fund	$ -	-	-	-	382,949	-	382,949
Total All Funds	$ -	-	-	-	382,949	-	382,949

NOTE 10: FUND BALANCE PRESENTATION – (Continued)

A. Non-spendable Fund Balance

The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example inventories and prepaid amounts.

B. Restricted Fund Balance

The restricted fund balance classification refers to amounts that are subject to outside restrictions, not controlled by the entity. Things such as restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Debt Service Funds are by definition restricted for these specified purposes. TREES does not have any funds that fall into these categories.

C. Committed Fund Balance

The committed fund balance classification refers to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority (Administrative Council). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of formal action it employed to previously commit those amounts.

D. Assigned Fund Balance

The assigned fund balance classification refers to amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed. Intent may be expressed by (a) the Administrative Council itself or (b) the finance committee or by the Director when the Administrative Council has delegated the authority to assign amounts to be used for specific purposes.

E. Unassigned Fund Balance

The unassigned fund balance classification is the residual classification for amounts in the General Funds for amounts that have not been restricted, committed, or assigned to specific purposes within the General Funds.

F. Expenditures of Fund Balance

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

SUPPLEMENTAL INFORMATION

THREE RIVERS EDUCATION FOR EMPLOYMENT SYSTEM

Schedule A

Illinois Municipal Retirement Fund
Schedule of Changes in Net Pension Liability and Related Ratios

Calendar Year Ending December 31,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total Pension Liability										
Service Cost	$ 9,916	12,138	12,778	12,669	13,093	15,425	15,553	14,980	14,654	-
Interest on the Total Pension Liability	33,117	32,169	30,528	28,729	26,321	21,904	19,909	17,597	14,607	-
Benefit Changes	-	-	-	-	-	-	-	-	-	-
Difference between Expected and Actual Experience	32,328	(12,577)	(17,136)	(11,506)	1,570	37,409	(3,726)	2,939	3,991	-
Assumption Changes	880	-	1,627	(869)	10,956	(9,457)	-	317	11,227	-
Benefit Payments and Refunds	(29,596)	(5,478)	(5,380)	(5,282)	(5,183)	(5,085)	(4,992)	(4,894)	(4,659)	-
Net Change in Total Pension Liability	46,645	26,252	22,417	23,741	46,757	60,196	26,744	30,939	39,820	-
Total Pension Liability - Beginning	466,632	440,380	417,963	394,222	347,465	287,269	260,525	229,586	189,766	-
Total Pension Liability - Ending	$ 513,277	466,632	440,380	417,963	394,222	347,465	287,269	260,525	229,586	-
Plan Fiduciary Net Position										
Contributions - Employer	$ 7,355	12,794	16,266	15,504	14,419	14,957	13,863	12,370	11,436	-
Contributions - Employee	3,629	4,858	5,614	5,733	5,722	5,699	5,545	5,452	5,273	-
Pension Plan Net Investment Income	(64,412)	71,977	52,227	55,327	(13,240)	43,367	15,949	1,148	12,525	-
Benefit Payments and Refunds	(29,596)	(5,478)	(5,380)	(5,282)	(5,183)	(5,085)	(4,992)	(4,894)	(4,659)	-
Other	13,331	(2,552)	35	(1,575)	733	(4,014)	(883)	(10,043)	(808)	-
Net Change in Plan Fiduciary Net Position	(69,693)	81,599	68,762	69,707	2,451	54,924	29,482	4,033	23,767	-
Plan Fiduciary Net Position - Beginning	534,020	452,421	383,659	313,952	311,501	256,577	227,095	223,062	199,295	-
Plan Fiduciary Net Position - Ending	$ 464,327	534,020	452,421	383,659	313,952	311,501	256,577	227,095	223,062	-
Net Pension Liability (Asset)	$ 48,950	(67,388)	(12,041)	34,304	80,270	35,964	30,692	33,430	6,524	-
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.46%	114.44%	102.73%	91.79%	79.64%	89.65%	89.32%	87.17%	97.16%	N/A
Covered Valuation Payroll	$ 80,638	107,966	124,747	127,399	127,150	126,654	123,226	121,161	117,175	N/A
Net Pension Liability as a Percentage of the Covered Valuation Payroll	60.70%	-62.42%	-9.65%	26.93%	63.13%	28.40%	24.91%	27.59%	5.57%	N/A

Notes to Schedule:
This schedule is intended to show information for ten years and additional years' information will be displayed as it becomes available.

Illinois Municipal Retirement Fund
Schedule of Contributions

Calendar Year Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2022	$ 7,354	7,355	(1)	80,638	9.12%
2021	12,794	12,794	-	107,966	11.85%
2020	16,267	16,266	1	124,747	13.04%
2019	15,504	15,504	-	127,399	12.17%
2018	14,419	14,419	-	127,150	11.34%
2017	14,958	14,957	1	126,654	11.81%
2016	13,863	13,863	-	123,226	11.25%
2015	12,371	12,370	1	121,161	10.21%
2014	11,436	11,436	-	117,175	9.76%

Notes to Schedule:

Valuation Date:

Notes

Actuarially determined contribution rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions used to Determine 2022 Contribution Rate:

Actuarial Cost Method — Aggregate Entry Age Normal

Amortization Method — Level Percentage of Payroll, Closed

Remaining Amortization Period — Non-Taxing bodies: 10-year rolling period.

Taxing bodies (Regular, SLEP, and ECO groups): 21-year closed period

Early Retirement Incentive Plan liabilities: a period up to 10 year selected by the Employer upon adoption of ERI.

SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 16 years for most employers (five employers were financed over 17 years; one employer was financed over 18 years; two employers were financed over 19 years; three employers were financed over 25 years; four employers were financed over 26 years; and one employer was financed over 27 years).

Asset Valuation Method — 5-Year smoothed market; 20% corridor

Wage Growth — 2.75%

Price Inflation — 2.25%

Salary Increases — 2.85% to 13.75% including inflation

Investment Rate of Return — 7.25%

Retirement Age — Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2020 valuation pursuant to an experience study of the period 2017-2019.

Mortality — For non-disabled retirees, the Pub-2010 Amount-Weighted, below-median income, General, Retiree, Male (adjusted 106%) and Female (adjusted 105%) tables, and future mortality improvements projected using scale MP-2020. For disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected unadjusted) tables, and future mortality improvements projected using MP-2020.

Other Information:

Notes

There were no benefit changes during the year.

*Based on Valuation Assumptions used in the 12/31/2020 actuarial valuation.

Schedule C

Schedule of TREES' Share of the Net Pension Liability

					Fiscal Year*				
	2022	2021	2020	2019	2018	2017	2016	2015	2014
TREES' Proportion of the Net Pension Liability	0.00002%	0.00002%	0.00002%	0.00002%	0.00002%	0.00002%	0.00002%	0.00002%	0.00002%
TREES' Proportionate Share of the Net Pension Liability	$ 12,176	12,521	14,206	13,686	13,527	13,578	14,491	13,029	11,432
State's Proportionate Share of the Net Pension Liability Associated with TREES	1,056,214	1,049,404	1,112,652	973,999	926,648	934,714	972,955	778,032	712,904
Total	$ 1,068,390	1,061,925	1,126,858	987,685	940,175	948,292	987,446	791,061	724,336
TREES' Covered-Employee Payroll	$ 148,595	142,880	137,385	132,303	130,070	126,281	122,603	119,032	115,565
TREES' Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	8.19%	8.76%	10.34%	10.34%	10.40%	10.75%	11.82%	10.95%	9.89%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	42.80%	45.10%	37.80%	39.60%	40.00%	39.30%	36.40%	41.50%	43.00%

** The amounts presented were determined as of*
the prior fiscal year.

Schedule D

Schedule of Contributions

					Fiscal Year				
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily Required Contribution	$ 896	862	829	797	767	754	732	711	690
Contributions in Relation to the Statutorily Required Contribution	896	862	829	797	767	754	732	711	690
Contribution Deficiency (Excess)	$ -	-	-	-	-	-	-	-	-
TREES' Covered-Employee Payroll	$ 154,539	148,595	142,880	137,385	132,303	130,070	126,281	122,603	119,032
Contributions as a Percentage of Covered-Employee Payroll	0.58%	0.58%	0.58%	0.58%	0.58%	0.58%	0.58%	0.58%	0.58%

Notes to Schedules

Changes of assumptions

For the 2023-2021 measurement years, the assumed investment rate of return was of 7.0 percent, including an inflation rate of 2.25 percent and a real return of 4.75 percent. Salary increases were assumed to vary by service credit. These actuarial assumptions were based on an experience study dated September 30, 2021.

For the 2020-2016 measurement years, the assumed investment rate of return was 7.0, including an inflation rate of 2.50 percent and a real return of 4.50 percent. Salary increases were assumed to vary by service credit. The assumptions used for the 2020-2018 and 2017-2016 measurement years were based on an experience study dated September 18, 2018 and August 13, 2015, respectively.

For the 2015 measurement year, the assumed investment rate of return was 7.5 percent, including an inflation rate of 3.0 percent and a real return of 4.5 percent. Salary increases were assumed to vary by service credit. Various other changes in assumptions were adopted based on the experience analysis for the three year period ending June 30, 2014.

THREE RIVERS EDUCATION FOR EMPLOYMENT SYSTEM

Supplemental Information
Teachers' Health Insurance Security Fund of the State of Illinois

Schedule E

Schedule of TREES' Share of the Net OPEB Liability

	Fiscal Year*					
	2022	2021	2020	2019	2018	2017
TREES' Proportion of the Net OPEB Liability	0.00056%	0.00056%	0.00054%	0.00054%	0.00055%	0.00055%
TREES' Proportionate Share of the Net OPEB Liability	$ 36,858	122,316	145,191	148,976	144,561	142,457
State's Proportionate Share of the Net OPEB Liability Associated with TREES	36,867	122,283	145,207	148,794	194,172	182,736
Total	$ 73,725	244,599	290,398	297,770	338,733	325,193
TREES' Covered-Employee Payroll	$ 148,595	142,880	137,385	132,303	130,070	126,281
TREES' Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	24.80%	85.61%	105.68%	112.60%	111.14%	112.81%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	5.53%	1.42%	0.70%	0.25%	-0.07%	-0.23%

** The amounts presented were determined as of the prior fiscal year.*

Schedule F

Schedule of Contributions

	Fiscal Year					
	2023	2022	2021	2020	2019	2018
Statutorily Required Contribution	$ 1,035	996	1,314	1,264	1,217	1,150
Contributions in Relation to the Statutorily Required Contribution	1,035	996	1,314	1,264	1,217	1,150
Contribution Deficiency (Excess)	$ -	-	-	-	-	-
TREES' Covered-Employee Payroll	$ 154,539	148,595	142,880	137,385	132,303	130,070
Contributions as a Percentage of Covered-Employee Payroll	0.67%	0.67%	0.92%	0.92%	0.92%	0.88%

Notes to Schedules

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

OTHER REPORTS

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards

To the Administrative Council
Three Rivers Education for Employment System
Joliet, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Three Rivers Education for Employment System as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Three Rivers Education for Employment System's financial statements, and have issued our report thereon dated August 24, 2023. Our opinion was adverse because the financial statements are not prepared in accordance with generally accepted accounting principles. However, our opinion was unmodified on the financial statements prepared on the cash basis of accounting, in accordance with the regulatory reporting requirements established by the Illinois State Board of Education, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Three Rivers Education for Employment System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Three Rivers Education for Employment System's internal control. Accordingly, we do not express an opinion on the effectiveness of Three Rivers Education for Employment System's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the Schedule of Findings and Questioned Costs included in this report (items 2023-01) that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Three Rivers Education for Employment System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Three Rivers Education for Employment System in a separate letter dated August 24, 2023.

Purpose of this Report

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

Mack & Associates, P. C.

Mack & Associates, P.C.
Certified Public Accountants

Morris, Illinois
August 24, 2023

SINGLE AUDIT

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Independent Auditors' Report on Compliance for Each Major Program and Internal Control Over Compliance Required by the Uniform Guidance

To the Administrative Council
Three Rivers Education for Employment System
Joliet, Illinois

Report on Compliance for Each Major Federal Program

We have audited the Three Rivers Education for Employment System's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Three Rivers Education for Employment System's major federal programs for the year ended June 30, 2023. The Three Rivers Education for Employment System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Three Rivers Education for Employment System's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Three Rivers Education for Employment System's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Three Rivers Education for Employment System's compliance.

Opinion on Each Major Federal Program

In our opinion, the Three Rivers Education for Employment System, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance.

Report on Internal Control over Compliance

Management of the Three Rivers Education for Employment System is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Three Rivers Education for Employment System's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Three Rivers Education for Employment System's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mack & Associates, P. C.

Mack & Associates, P.C.
Certified Public Accountants

Morris, Illinois
August 24, 2023

THREE RIVERS EDUCATION FOR EMPLOYMENT SYSTEM

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures ($)
U.S. Department of Education:			
Passed Through Illinois State Board of Education:			
Career and Technical Education - Perkins - 2022	84.048A	2022-4745	$ 48,523
Career and Technical Education - Perkins - 2023	84.048A	2023-4745	1,034,862
Total Passed Through Illinois State Board of Education			1,083,385
Total U.S. Department of Education			1,083,385
Total Expenditures of Federal Awards			$ 1,083,385

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards presents total federal awards expended for each individual federal program in accordance with Uniform Guidance, *Audits of States, Local Governments and Non-Profit Organizations*. Federal award program titles are reported as presented in the Catalog of Federal Domestic Assistance (CFDA).

NOTE B: BASIS OF ACCOUNTING

The schedule includes the federal grant activity of Three Rivers Education for Employment System and is presented using the cash basis of accounting under guidelines prescribed by the Illinois State Board of Education. The information in this schedule is presented in accordance with the requirements of Uniform Guidance, *Audits of States, Local Governments and Non-profit Organizations*. Accordingly, revenues are recognized and recorded in the accounts when cash is received. In the same manner, expenditures are recognized and recorded upon the disbursement of cash.

NOTE C: INDIRECT FACILITIES & ADMINISTRATION COSTS

Three Rivers Education for Employment System did not elect to use the 10% de minimus cost rate.

NOTE D: SUBRECIPIENTS

The Three Rivers Education for Employment System provided federal awards to subrecipients based on allocations determined by the Illinois State Board of Education. Payments to sub recipients for the year ended June 30, 2023 were as follows:

District	Amount	CFDA #
Grundy Area Vocational Center	$ 98,206	84.048A
Joliet Township HSD #204	240,905	84.048A
Lincoln-Way HSD #210	99,934	84.048A
Lockport HSD #205	82,617	84.048A
Plainfield HSD #202	116,675	84.048A
Valley View CUSD #365U	104,000	84.048A
WILCO	170,684	84.048A
Total	$ 913,021	

NOTE E: OTHER DISCLOSURES

Insurance coverage in effect paid with Federal Funds during the fiscal year included $0 for workers' compensation. There were no federal loans or loan guarantees outstanding at June 30, 2023, and TREES had no grants requiring matching expenditures. No federal expenditures were in the form of non-cash assistance.

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

A. SUMMARY OF AUDITORS' RESULTS

1. The Independent Auditors' Report expresses an adverse opinion on the financial statements of the Three Rivers Education for Employment System.

2. One significant deficiency and no material weaknesses relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Controls over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

3. No instances on noncompliance material to the financial statements of the Three Rivers Education for Employment System were disclosed during the audit.

4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs is reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.

5. The Auditors' Report on Compliance for the major federal award programs for the Three Rivers Education for Employment System expresses an unmodified opinion.

6. Audit findings relative to the major federal award programs for the Three Rivers Education for Employment System are reported in Part C of this schedule.

7. The program tested as a major program was the Career & Technical Education – Perkins program, CFDA 84.048A, with federal expenditures of $1,083,385 (100% of total federal expenditures of $1,083,385).

8. The threshold for distinguishing Types A and B programs was $750,000.

9. The Three Rivers Education for Employment System was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

Finding 2023-01: Significant Audit Adjustments

Condition:
During the course of our audit, we identified significant misstatements requiring adjustments to be posted to the QuickBooks file. The adjustment included prior year entries that had not been recorded.

Criteria:
Financial reports should be reviewed for completeness and accuracy throughout the year, and at year end. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Cause:
TREES does not have sufficient processes and procedures in place to allow employees involved in the financial reporting process to identify and correct such misstatements on a timely basis.

Effect:
Material misstatements to the financial statements may not be prevented or detected during the normal course of operations.

Recommendation:
We recommend that the general ledger be reviewed by appropriate personnel both on a periodic basis and at year end to ensure completeness and accuracy of the financial records.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2023

There are no prior year findings that affected federally funded programs.