

***THE EDUCATION COOPERATIVE***

***REPORT ON EXAMINATION OF  
BASIC FINANCIAL STATEMENTS***

***YEAR ENDED JUNE 30, 2023***



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## **Independent Auditor's Report**

To the Board of Directors  
The Education Cooperative  
East Walpole, Massachusetts

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The Education Cooperative (the "Cooperative"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements as listed in the table of contents.

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 Education Cooperative, as of June 30, 2023, 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.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Education Cooperative 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.

#### **Emphasis of Matter**

As described in Note 12, the financial statements for the year ending June 30, 2023, have been restated to reflect a correction of an error in reporting the Cooperative's net other postemployment benefit liability.

#### **Other Matter**

The financial statements for the prior period were audited by a predecessor auditor, whose opinion dated October 3, 2023, was unmodified before the restatement mentioned above. As part of our audit of the 2023 financial statements, we also audited the adjustments described in Note 13 that were applied to restate the 2022 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2022 financial statements of the Cooperative other than with respect to the adjustments and, accordingly, we do not express an opinion of any other form of assurance on the 2022 financial statements as a whole.

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative'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 Cooperative'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.

## **Required Supplementary Information**

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

## **Other Information**

Management is responsible for the other information included in this report. The other information comprises the required disclosures by the Massachusetts Department of Elementary and Secondary Education for Massachusetts Educational Cooperatives but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other 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 misstatement of the other information exists, we are required to describe it in our report.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023, on our consideration of The Education Cooperative'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 Cooperative'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 Cooperative's internal control over financial reporting and compliance.



December 15, 2023

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# ***Management's Discussion and Analysis***

## ***Management's Discussion and Analysis***

As management of The Education Cooperative ("Cooperative"), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2023. The Cooperative complies with financial reporting requirements issued by the Government Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements. All amounts, unless otherwise indicated, are expressed in whole dollars.

### ***Financial Highlights***

- The total liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources (net position) for the year by \$4.3 million.
- At June 30, 2023, the Cooperative reported a net other postemployment benefit liability (OPEB) of \$4.2 million, as well as deferred outflows and deferred inflows of resources related to OPEB totaling \$1.5 million and \$4.8 million, respectively.
- As further described in Note 12, net position previously reported has been restated to reflect a correction of an error in recording the Cooperative's net other postemployment benefit liability. Previously reported net position totaling a deficit of \$456,000, has been restated by \$3.3 million, to a deficit net position of \$3.7 million.
- The Cooperative recognized on-behalf revenue and expenditures totaling approximately \$335,000 and \$797,000 in 2023 related to the Massachusetts State Employees' Retirement System and the Massachusetts Teachers' Retirement System, respectively.

### ***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the Cooperative's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

The *statement of net position* presents information on all assets and deferred outflows and liabilities and deferred inflows, 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 is improving or deteriorating.

The *statement of activities* presents information showing how the Cooperative's net position changed during the most recent year. 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 periods (e.g., uncollected revenues and earned but unused sick leave).

The government-wide financial statements distinguish functions that are principally supported by tuition, charges for services, and intergovernmental revenues (*governmental activities*). The governmental activities include salaries and contracted services, payroll taxes and benefits, legal, conferences, conventions and meetings, supplies and postage, intergovernmental on-behalf payments, travel and transportation, insurance, advertising, subscriptions, and other, repairs and maintenance, telephone, rent, equipment, utilities, recreational services, recruitment, tuition, interest, and unallocated depreciation.

**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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** The focus of the Cooperative's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Cooperative's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

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*.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Cooperative's own programs.

**Notes to the basic financial statements.** The notes 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 the Cooperative's budgetary comparisons and its pension and other postemployment obligations, as well as *other information* as required by Massachusetts General Law (M.G.L.) Chapter 43 of the Acts of 2012.

## **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4.3 million at the close of 2023.

The balance of restricted fund balance of \$18,000 relates to grants and unrestricted net position resulted in a \$3.9 million deficit, mainly relating to the effect of recording other postemployment benefit liabilities through June 30, 2023.

Key components of the Cooperative’s governmental financial position are summarized below:

	2023	(As Restated) 2022
<b>Assets:</b>		
Current assets.....	\$ 5,098,242	\$ 4,847,585
Noncurrent assets (excluding capital).....	1,195,888	1,427,026
Capital assets, net of accumulated depreciation.....	7,434,228	8,233,583
<b>Total assets.....</b>	<b>13,728,358</b>	<b>14,508,194</b>
<b>Deferred outflows of resources.....</b>	<b>1,535,649</b>	<b>1,718,039</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	1,642,933	1,331,641
Noncurrent liabilities (excluding debt).....	11,692,492	11,902,977
<b>Total liabilities.....</b>	<b>13,335,425</b>	<b>13,234,618</b>
<b>Deferred inflows of resources.....</b>	<b>6,187,382</b>	<b>6,710,740</b>
<b>Net position:</b>		
Net investment in capital assets.....	-	208,073
Restricted.....	17,683	17,683
Unrestricted.....	(4,276,483)	(3,944,881)
<b>Total net position.....</b>	<b>\$ (4,258,800)</b>	<b>\$ (3,719,125)</b>

The Cooperative’s net position decreased by \$539,000 in 2023 as compared to an decrease of \$261,000 in 2022.

Net position previously reported has been restated to reflect a correction of an error in recording the Cooperative’s net other postemployment benefit liability. Previously reported net position totaling a deficit of \$456,000, has been restated by \$3.3 million to a deficit net position of \$3.7 million.

Key components of the Cooperative's governmental activities are summarized below:

	2023	(As Restated) 2022
<b>Program Revenues:</b>		
Charges for services..... \$	1,476,239	\$ 391,142
Operating grants and contributions.....	1,449,849	1,083,246
<b>General Revenues:</b>		
Tuition and other general revenues.....	6,636,682	7,516,518
Other Income.....	945,433	955,174
Membership assessments.....	178,992	178,992
<b>Total revenues.....</b>	<b>10,687,195</b>	<b>10,125,072</b>
<b>Expenses:</b>		
Instructional salaries.....	4,614,490	4,097,574
Administrative salaries.....	1,354,790	1,125,812
Benefits.....	995,575	1,292,051
Contracted Services.....	545,279	600,404
Instructional.....	306,854	314,111
Capital Outlay.....	41,709	-
Other.....	910,364	786,137
Unallocated Depreciation.....	802,357	787,757
Intergovernmental on-behalf payments.....	1,132,001	876,323
Interest.....	523,451	505,802
<b>Total expenses.....</b>	<b>11,226,870</b>	<b>10,385,971</b>
<b>Change in net position.....</b>	<b>(539,675)</b>	<b>(260,899)</b>
<b>Net position, beginning of year (As Restated).....</b>	<b>(3,719,125)</b>	<b>(3,458,226)</b>
<b>Net position, end of year..... \$</b>	<b>(4,258,800)</b>	<b>(3,719,125)</b>

### **Financial Analysis of the Governmental Funds**

As noted earlier, the Cooperative uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the Cooperative's net resources available for spending at the end of the year.

At the end of the current year, governmental funds reported combined ending fund balances of \$3.6 million. This includes \$3.6 million and \$18,000 in the Cooperative's general fund and nonmajor funds, respectively.

The general fund is the Cooperative's chief operating fund. At year end, unassigned fund balance totaled \$2.2 million, nonspendable fund balance totaled \$190,000, and committed fund balance totaled \$1.2 million. Fund balance in the general fund increased by \$929 in the current year, which was mainly related to positive budgetary operations.

## ***General Fund Budgetary Highlights***

The Cooperative adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The original 2023 approved budget for the general fund authorized \$9.8 million in appropriations.

Actual revenues were more than budget by \$28,000, mainly from tuition & therapy fees and sponsorship revenue. Actual expenditures were less than the budget by \$1.1 million, mainly from less costs for instructional salaries and contracted services and funded by the cumulative surplus.

## ***Capital Asset and Debt Administration***

The Cooperative's capital assets, net of accumulated depreciation, totaled \$7.4 million as of June 30, 2023.

The Cooperative also has entered into a lease agreement for a building. The cost of these leases totaled \$928,000 in 2023 and is reported as debt service on leases in the general fund.

The Cooperative did not have any short term or long term debt outstanding as of June 30, 2023.

Please refer to the Notes 4, 5 and 6 of the basic financial statements for further discussion of the capital assets, leases, and debt activity.

## ***Requests for Information***

This financial report is designed to provide a general overview of the Cooperative's finances for all those with an interest in the Cooperative's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Cooperative's Director of Finance and Operations, 141 Mansion Dr, Suite 200, East Walpole, Massachusetts 02032.

# ***Basic Financial Statements***

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**STATEMENT OF NET POSITION**

JUNE 30, 2023

	<i>Primary Government</i>
	Governmental Activities
<b>ASSETS</b>	
CURRENT:	
Cash and cash equivalents.....	\$ 3,734,218
Receivables, net of allowance for uncollectibles:	
Departmental and other.....	946,175
Right-to-use lease receivable.....	228,138
Prepaid expenses.....	189,711
Total current assets.....	5,098,242
NONCURRENT:	
Receivables, net of allowance for uncollectibles:	
Right-to-use lease receivable.....	1,195,888
Capital assets, net of accumulated depreciation.....	7,434,228
TOTAL ASSETS.....	13,728,358
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to other postemployment benefits....	1,535,649
<b>LIABILITIES</b>	
CURRENT:	
Warrants payable.....	385,308
Accrued payroll.....	371,237
Unearned revenue.....	488,212
Right-to-use lease liability.....	398,176
Total current liabilities.....	1,642,933
NONCURRENT:	
Right-to-use lease liability.....	7,457,279
Net other postemployment benefits liability.....	4,235,213
Total noncurrent liabilities.....	11,692,492
TOTAL LIABILITIES.....	13,335,425
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to right-to-use leases.....	1,424,026
Deferred inflows related to other postemployment benefits.....	4,763,356
TOTAL DEFERRED INFLOWS OF RESOURCES.....	6,187,382
<b>NET POSITION</b>	
Restricted for:	
Gifts and grants.....	17,683
Unrestricted.....	(4,276,483)
TOTAL NET POSITION.....	\$ (4,258,800)

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
Instructional salaries.....	\$ 4,614,490	\$ -	\$ 317,848	\$ -	\$ (4,296,642)
Administrative salaries.....	1,354,790	-	-	-	(1,354,790)
Benefits.....	995,575	-	-	-	(995,575)
Contracted Services.....	545,279	-	-	-	(545,279)
Instructional.....	306,854	1,080,504	-	-	773,650
Capital Outlay.....	41,709	-	-	-	(41,709)
Other.....	910,364	-	-	-	(910,364)
Unallocated Depreciation.....	802,357	-	-	-	(802,357)
Intergovernmental on-behalf payments.....	1,132,001	-	1,132,001	-	-
Interest.....	523,451	395,735	-	-	(127,716)
Total Governmental Activities.....	\$ <u>11,226,870</u>	\$ <u>1,476,239</u>	\$ <u>1,449,849</u>	\$ <u>-</u>	\$ <u>(8,300,782)</u>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES (continued)**

YEAR ENDED JUNE 30, 2023

		<u>Primary Government</u>
		Governmental Activities
<b>Changes in net position:</b>		
Net (expense) revenue from previous page.....	\$	<b><u>(8,300,782)</u></b>
<i>General revenues:</i>		
Tuition and other general revenues.....		6,636,682
Other Income.....		945,433
Membership assessments.....		<u>178,992</u>
 Total general revenues.....		 <u>7,761,107</u>
 Change in net position.....		 (539,675)
 <i>Net position:</i>		
Beginning of year (As Restated).....		<u>(3,719,125)</u>
 End of year.....	\$	 <u><u>(4,258,800)</u></u>

See notes to basic financial statements.

**GOVERNMENTAL FUNDS**  
BALANCE SHEET

JUNE 30, 2023

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 3,716,535	\$ 17,683	\$ 3,734,218
Receivables, net of uncollectibles:			
Departmental and other.....	946,175	-	946,175
Leases.....	1,424,026	-	1,424,026
Prepaid expenses.....	189,711	-	189,711
<b>TOTAL ASSETS.....</b>	<b>\$ 6,276,447</b>	<b>\$ 17,683</b>	<b>\$ 6,294,130</b>
<b>LIABILITIES</b>			
Warrants payable.....	\$ 385,308	\$ -	\$ 385,308
Accrued payroll.....	371,237	-	371,237
Unearned revenue.....	488,212	-	488,212
<b>TOTAL LIABILITIES.....</b>	<b>1,244,757</b>	<b>-</b>	<b>1,244,757</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to leases.....	1,424,026	-	1,424,026
<b>FUND BALANCES</b>			
Nonspendable.....	189,711	-	189,711
Restricted.....	-	3,929	3,929
Committed.....	1,227,024	-	1,227,024
Assigned.....	-	13,754	13,754
Unassigned.....	2,190,929	-	2,190,929
<b>TOTAL FUND BALANCES.....</b>	<b>3,607,664</b>	<b>17,683</b>	<b>3,625,347</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 6,276,447</b>	<b>\$ 17,683</b>	<b>\$ 6,294,130</b>

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

JUNE 30, 2023

Total governmental fund balances.....	\$	3,625,347
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		7,434,228
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....		(3,227,707)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Net other postemployment benefits liability.....		(4,235,213)
Capital lease obligations.....		<u>(7,855,455)</u>
Net effect of reporting long-term liabilities.....		<u>(12,090,668)</u>
Net position of governmental activities.....	\$	<u>(4,258,800)</u>

See notes to basic financial statements.

**GOVERNMENTAL FUNDS**  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2023

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Tuition and therapy fees.....	\$ 6,913,544	\$ -	\$ 6,913,544
Member assessments.....	178,992	-	178,992
Sponsorship.....	1,080,504	-	1,080,504
Sublease rental income.....	395,735	-	395,735
Governmental revenue.....	38,042	2,944	40,986
Other.....	944,783	650	945,433
Intergovernmental - State provided pension benefits.....	1,132,001	-	1,132,001
<b>TOTAL REVENUES.....</b>	<b>10,683,601</b>	<b>3,594</b>	<b>10,687,195</b>
<b>EXPENDITURES:</b>			
Current:			
Instructional salaries.....	4,637,257	-	4,637,257
Administrative salaries.....	1,340,915	-	1,340,915
Benefits.....	843,355	-	843,355
Contracted Services.....	545,279	-	545,279
Instructional.....	303,910	2,944	306,854
Capital Outlay.....	41,709	-	41,709
Other.....	909,714	650	910,364
State funded pension benefits.....	1,132,001	-	1,132,001
Debt service:			
Principal related to leases.....	405,081	-	405,081
Interest related to leases.....	523,451	-	523,451
<b>TOTAL EXPENDITURES.....</b>	<b>10,682,672</b>	<b>3,594</b>	<b>10,686,266</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>929</b>	<b>-</b>	<b>929</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>3,606,735</b>	<b>17,683</b>	<b>3,624,418</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 3,607,664</b>	<b>\$ 17,683</b>	<b>\$ 3,625,347</b>

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2023

Net change in fund balances - total governmental funds.....	\$	929
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Depreciation expense.....		<u>(802,357)</u>
Net effect of reporting capital assets.....		(802,357)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Principal payments on capital leases.....		<u>405,081</u>
Net effect of reporting long-term debt.....		405,081
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits...		44,363
Net change in net other postemployment benefits liability.....		<u>(187,691)</u>
Net effect of recording long-term liabilities.....		<u>(143,328)</u>
Change in net position of governmental activities.....	\$	<u><u>(539,675)</u></u>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2023

		Other Postemployment Benefit Trust Fund
<b>ASSETS</b>		
Cash and cash equivalents.....	\$	2,968
Investments:		
Equity mutual funds.....		396,410
Fixed income mutual funds.....		208,189
 TOTAL ASSETS.....		 607,567
<b>NET POSITION</b>		
Restricted for other postemployment benefits.....	\$	607,567

See notes to basic financial statements.



**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2023

		Other Postemployment Benefit Trust Fund
<u>ADDITIONS:</u>		
Contributions:		
Employer contributions to the trust.....	\$	60,000
Employer health premium contributions.....		48,536
Employee health premium contributions.....		48,536
		<hr/>
Total contributions.....		157,072
		<hr/>
Net investment income:		
Investment income.....		40,840
Less: investment expense.....		(1,034)
		<hr/>
Net investment income (loss).....		39,806
		<hr/>
TOTAL ADDITIONS.....		196,878
		<hr/>
<u>DEDUCTIONS:</u>		
Health insurance premium paid.....		97,072
		<hr/>
NET INCREASE (DECREASE) IN NET POSITION.....		99,806
		<hr/>
NET POSITION AT BEGINNING OF YEAR.....		507,761
		<hr/>
NET POSITION AT END OF YEAR.....	\$	607,567
		<hr/> <hr/>

See notes to basic financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Education Cooperative (Cooperative) was formed by an agreement between the communities of the Towns of Canton, Dedham, Dover, Framingham, Holliston, Hopkinton, Medfield, Medway, Millis, Natick, Needham, Norwood, Sherborn, Walpole, Wayland, and Westwood. The Cooperative is the oldest collaborative in Massachusetts. It was established in 1968 by a group of visionary educational leaders and school committee members and became an Educational Collaborative in 1980 under the provisions of M.G.L. c. 40, § 4E and is approved by the Massachusetts Board of Elementary and Secondary Education.

The objectives of the Cooperative include jointly conducting educational programs which shall supplement and strengthen school programs for special needs students. The Cooperative develops and coordinates educational and organizational programs to meet the needs of our member communities and their students in a way that complements and strengthens their school programs and expands opportunities for their students, educators and communities in the most cost-effective manner.

Governance of the Cooperative is vested in a 15-member Board of Directors (the “Board”) composed of one representative appointed by each member school committee. The Board appoints an Executive Director who is the chief operating official for the Cooperative and who reports directly to the Board.

The accompanying basic financial statements of the Cooperative have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Cooperative accounting policies are described herein.

**A. Reporting Entity**

For financial reporting purposes, the Cooperative has included all funds, organizations, agencies, boards, commissions, and institutions. The Cooperative has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Cooperative are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Cooperative (the primary government) and its component units. The Cooperative has no component units that require inclusion in these basic financial statements.

The primary government consists of all funds and departments which provide various services supporting the Special Educational needs of the member communities. The Cooperative Board of Directors and Director are directly responsible for these activities.

**B. Government-Wide and Fund Financial Statements*****Government-Wide Financial Statements***

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities* are primarily supported by member assessments and intergovernmental revenue.

*Fund Financial Statements*

Separate financial statements are provided for governmental funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

*Major Fund Criteria*

Major funds must be reported if the following criteria are met:

- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation*Government-Wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to recipients who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Other items not identifiable as program revenues are reported as general revenues.

The effect of interfund activity has been removed from the government-wide financial statements.

## Fund Financial Statements

**Governmental** fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means 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. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Investment income is susceptible to accrual. Other receipts and revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *nonmajor governmental funds* consist of other special revenue funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. It is comprised of special revenue funds which are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.

**Fiduciary** fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *other postemployment benefits trust fund* is used to accumulate resources to provide funding for future OPEB liabilities.

### D. Cash and Investments

#### *Government-Wide and Fund Financial Statements*

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

### E. Fair Value Measurements

The Cooperative reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value

practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Cooperative's financial instruments, see Note 2 – Cash and Investments.

#### F. Accounts Receivable

##### *Government-Wide and Fund Financial Statements*

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

##### *Due from Member Communities*

Due from member communities consist of tuition payments receivable for special education services provided as well as a receivable for transportation services provided to members.

#### G. Inventories

##### *Government-Wide and Fund Financial Statements*

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

H. Capital Assets

*Government-Wide Financial Statements*

Capital assets, which include office equipment and furniture, leasehold improvements, school buses, and right to use facilities are reported in the government-wide financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Intangible right to use leased assets are recorded at the net present value of non-cancellable lease payments at inception.

All purchases and construction costs in excess of \$25,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (except for construction in progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Equipment.....	5
Leasehold Improvements.....	5

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

*Governmental Fund Financial Statements*

Capital asset costs are recorded as expenditures in the acquiring fund in the year of the purchase.

I. Deferred Outflows/Inflows of Resources

*Government-Wide Financial Statements (Net Position)*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Cooperative reported deferred outflows related to other postemployment benefits in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Cooperative reported deferred inflows related to other postemployment benefits and unearned revenue in this category.

*Government Fund Financial Statements*

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents amounts that have been recorded in the governmental fund financial statements but the revenue is not available and so will not be recognized as an inflow of resources (revenue) until it becomes available. The

Cooperative reported unearned revenue in this category.

#### J. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

##### *Fund Financial Statements*

Transactions of a buyer/seller nature between and within funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as “Due from other funds” or “Due to other funds” on the balance sheet.

##### *Government-Wide Financial Statements*

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net position.

#### K. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

##### *Government-Wide Financial Statements*

Transfers within governmental funds are eliminated from the governmental activities in the statement of activities.

##### *Fund Financial Statements*

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

#### L. Net Position and Fund Equity

##### *Government-Wide Financial Statements (Net Position)*

Net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use.

Sometimes the Cooperative will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Cooperative’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

*Fund Financial Statements (Fund Balances)*

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes 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.

“Assigned” fund balance includes amounts that are constrained by the Cooperative’s intent to be used for specific purposes but are neither restricted nor committed.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The Cooperative’s spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

M. Long-term debt*Government-Wide Financial Statements*

Long-term debt is reported as liabilities in the government-wide statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

*Governmental Fund Financial Statements*

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as administrative expenditures.



N. Intangible Right to Use Lease Liability*Government-Wide Financial Statements*

Intangible right to use lease liabilities are reported at the present value of their future minimum lease payments. Lease payments are reported as reductions of the lease liability and as interest expense during the lease term.

*Governmental Fund Financial Statements*

The present value of the future minimum lease payments are reported within the governmental funds as other financing sources and a capital expenditure. Lease payments are reported as debt service expenditures.

O. Investment Income

Investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

P. Pensions

For purposes of measuring the 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 both the Massachusetts State Employee Retirement System and the Massachusetts Teachers Retirement System and additions to/deductions from the Systems fiduciary net position have been determined on the same basis as they are reported by the Systems. 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.

Q. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies. Sick leave owed to transportation employees is allowed to be carryforward and sold back to the Cooperative during certain periods of the year. The Cooperative records a liability for this unused sick time for these transportation employees. Sick and vacation for all other employees is required to be used during the year and is not allowed to be carryforward, therefore the Cooperative does not report a liability for the employees' sick and vacation time.

R. Use of Estimates*Government-Wide and Fund Financial Statements*

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the year. Actual results could vary from estimates that were used.

## S. Total Column

### *Government-Wide Financial Statements*

The total column presented on the government-wide financial statements represents consolidated financial information.

### *Fund Financial Statements*

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

## **NOTE 2 – CASH AND INVESTMENTS**

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents". The deposits and investments of trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (Pool). In addition, there are various restrictions limiting the amount and length of deposits and investments.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is valued at amortized cost.

### Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Cooperative's deposits may not be returned to it. The Cooperative has a formal policy for custodial credit risk that includes a review of the financial institutions financial statements and the background of the Advisor.

At year-end, the carrying amount of deposits totaled \$3,386,064 and the bank balance totaled \$3,433,420. Of that amount \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$3,183,420 was exposed to custodial risk because it was uninsured and uncollateralized.

### Fair Value of Investments

The Cooperative holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Cooperative's mission, the Cooperative determines that the disclosures related to these investments only need to be disaggregated by major type. The Cooperative chooses a tabular format for disclosing the levels within the fair value hierarchy.

The Cooperative categorizes its fair value measurement 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.

The following table presents the Cooperative fair value measurements on a recurring basis as of June 30, 2023:

Investment Type	June 30, 2023	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments measured at fair value:</b>				
<u>Other investments:</u>				
Equity mutual funds.....	\$ 396,410	\$ 396,410	\$ -	\$ -
Fixed income mutual funds.....	208,189	208,189	-	-
Total investments measured at fair value.....	604,599	604,599	-	-
<b>Investments measured at amortized cost:</b>				
MMDT - Cash portfolio.....	348,154			
Total investments.....	\$ 952,753			

Equity mutual funds, fixed income mutual funds, and money-market mutual funds, classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for these securities.

#### Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the entity will not be able to recover the value of its investments or collateral security that are in the possession of an outside party.

The Cooperative does not have an investment policy for the custodial credit risk of investments.

#### Interest Rate Risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect the fair value of the Cooperatives' investments. The Cooperative does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

#### Credit Risk

The Cooperative has adopted a formal policy related to Credit Risk by diversifying the investment portfolio so the impact of potential losses from any one type of security or issuer is minimized.

#### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Cooperative's investment in a single issuer. The Cooperative does not have an investment policy for the concentration of credit risk. At June 30, 2023, no more than 5% of the Cooperative's investments were invested in any one corporate issuer.

**NOTE 3 – RECEIVABLES**

At June 30, 2023, receivables for the individual major and non-major governmental funds in the aggregate are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Due from member communities.....	\$ 946,175	\$ -	\$ 946,175

There was no allowance for uncollectible reported at June 30, 2023.

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets being depreciated:</u>				
Equipment.....	\$ 1,235,855	\$ -	\$ -	\$ 1,235,855
Right-to-Use Leased Equipment.....	67,226	-	(67,226)	-
Right-to-Use Leased Building.....	8,622,374	-	-	8,622,374
Leasehold Improvements.....	59,050	-	(59,050)	-
Total capital assets being depreciated.....	9,984,505	-	(126,276)	9,858,229
<u>Less accumulated depreciation for:</u>				
Equipment.....	(1,027,782)	(126,667)	-	(1,154,449)
Leased Equipment.....	(26,312)	(40,914)	67,226	-
Leased Building.....	(634,776)	(634,776)	-	(1,269,552)
Leasehold Improvements.....	(59,050)	-	59,050	-
Total accumulated depreciation.....	(1,747,920)	(802,357)	126,276	(2,424,001)
Total capital assets, net.....	\$ 8,236,585	\$ (802,357)	\$ -	\$ 7,434,228

Unallocated depreciation expense totaled \$802,357 for the year ended June 30, 2023.

**NOTE 5 – SHORT AND LONG-TERM DEBT OBLIGATIONS**

Short-Term Financing

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS)
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest on short-term borrowings are accounted for in the general fund.

As of June 30, 2023, the Cooperative had no short-term financing.

Changes in Long-term Liabilities

During the year ended June 30, 2023, the following changes occurred in long-term liabilities:

	Beginning Balance	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Right-to-Use Lease obligations.....	\$ 8,260,536	\$ -	\$ (405,081)	\$ 7,855,455	\$ 398,176
Net other postemployment benefits.....	784,344	4,718,379	(1,267,510)	4,235,213	-
Total long-term liabilities.....	<u>\$ 9,044,880</u>	<u>\$ 4,718,379</u>	<u>\$ (1,672,591)</u>	<u>\$ 12,090,668</u>	<u>\$ 398,176</u>

**NOTE 6 – RIGHT-TO-USE LEASES**

The Cooperative has entered into a right-to-use lease agreement for the office building. The cost of this lease for 2023, totaled approximately \$928,000, and is reported as debt service on leases in the general fund. The cost of the assets acquired through the lease totaled approximately \$8.6 million, and the accumulated depreciation on those assets totaled approximately \$1.3 million.

The following identifies the assets acquired through lease agreements:

<u>Asset:</u>	<u>Governmental Activities</u>
Right to use - buidling.....	\$ 8,622,374
Less: accumulated depreciation...	<u>(1,269,552)</u>
Total.....	<u>\$ 7,352,822</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023 were as follows:

<u>Years ending June 30:</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024.....	\$ 398,176	\$ 498,587	\$ 896,763
2025.....	480,742	470,652	951,394
2026.....	511,777	438,407	950,184
2027.....	560,723	403,739	964,462
2028.....	704,942	278,735	983,677
2029 though 2033.....	3,612,877	1,185,532	4,798,409
2034 though 2035.....	1,586,219	141,184	1,727,403
Total minimum lease payments.....	<u>\$ 7,855,455</u>	<u>\$ 3,416,836</u>	<u>\$ 11,272,291</u>

Related interest expense for the year ended June 30, 2023, was \$523,451.

The Cooperative sub-leases a portion of its leased building in East Walpole, Massachusetts under a long-term lease agreement expiring in 2029. Rental income for the year ending June 30, 2023, amounted to \$395,735.

Transactions for the year ended June 30, 2023, are summarized as follows:

	Beginning Balance	Issues or Additions	Receipts or Revenues	Ending Balance	Due Within One Year
Building sub-lease.....	\$ 1,720,906	\$ -	\$ (296,880)	\$ 1,424,026	\$ 228,138

The annual aggregate maturities for all future lease receipts for the years subsequent to June 30, 2023 are as follows:

Years ending June 30:	Governmental Activities		
	Principal	Interest	Total
2024.....	\$ 228,138	\$ 86,140	\$ 314,278
2025.....	259,921	70,094	330,015
2026.....	284,100	52,489	336,589
2027.....	310,024	33,259	343,283
2028.....	170,922	6,560	177,481
2029.....	170,922	6,560	177,481
Total minimum future lease receipts.....	\$ 1,424,026	\$ 255,101	\$ 1,679,127

**NOTE 7 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

The Cooperative has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Cooperative’s financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- **Restricted:** fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed:** fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- **Assigned:** fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- **Unassigned:** fund balance of the general fund that is not constrained for any particular purpose.

The Cooperative has classified its fund balances with the following hierarchy:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
Fund Balances:			
Nonspendable:			
Permanent fund principal.....	\$ 189,711	\$ -	\$ 189,711
Restricted for:			
Floyd Foundation.....	-	3,929	3,929
Committed to:			
Capital Reserves.....	299,451	-	299,451
Cumulative Surplus voted for FY24 Budget....	927,573	-	927,573
Assigned to:			
Playground Contributions.....	-	13,754	13,754
Unassigned.....	2,190,929	-	2,190,929
	<u>2,190,929</u>	<u>-</u>	<u>2,190,929</u>
Total Fund Balances.....	\$ <u>3,607,664</u>	\$ <u>17,683</u>	\$ <u>3,625,347</u>

**NOTE 8 – RISK FINANCING**

The Cooperative is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Cooperative carries commercial insurance. Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

The Cooperative participates in premium-based health care plans for its employees and retirees.

**NOTE 9 – PENSION PLAN**

*Plan Descriptions*

The Cooperative is a member of the Massachusetts State Employees’ Retirement System (MSERS), a public employee retirement system that administers a cost-sharing multi-employer defined benefit plan covering substantially all employees of the Commonwealth and certain employees of the independent authorities and agencies. The MSERS is part of the Commonwealth’s reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

The Cooperative is also a member of the Massachusetts Teachers’ Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational Cooperatives and Quincy College. The MTRS is part of the Commonwealth’s reporting entity and the audited financial report may be obtained by visiting <https://mtrs.state.ma.us/service/financial-reports/>.

### *Special Funding Situations*

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Cooperative's teachers and retired teachers to the MTRS. Therefore, the Cooperative is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Cooperative does not contribute directly to MTRS, the Cooperative does not have a net pension liability. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2022. The Cooperative's portion of the collective pension expense, contributed by the Commonwealth, of \$797,439 is reported in the general fund as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Cooperative is \$9,694,154 as of the measurement date.

A special funding situation was created by Massachusetts General Laws for all educational Cooperatives in the Commonwealth. Cooperatives contribute amounts equal to the normal cost of non-teaching employees' benefits at a rate established by the Public Employees' Retirement Administration Commission (PERAC), currently 6.1% of covered payroll. Legally, the Cooperatives are only responsible for contributing the annual normal cost of their employees' benefits (i.e., the present value of the benefits earned by those employees in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the Cooperatives. Therefore, the Cooperative does not have a net pension liability. The Cooperative's required contribution to MSERS equaled its actual contribution for the year ended December 31, 2022 was \$112,448.

The Commonwealth as a nonemployer is legally responsible for the entire past service cost related to the non-teaching employees of the Cooperatives and therefore has a 100% special funding situation. The total of the Commonwealth provided contributions are allocated based on each employer's covered payroll to the total covered payroll of employers in MSERS as of the measurement date of June 30, 2022. The Cooperative's portion of the collective pension expense, contributed by the Commonwealth, of \$334,562 is reported as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Cooperative is \$4,256,371 as of the measurement date.

### *Benefits Provided*

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.



**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description*

The Cooperative administers a single-employer defined benefit healthcare plan (the “Plan”). The Plan provides lifetime healthcare insurance for eligible retirees through the Cooperative’s group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Cooperative and Cooperative employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report.

*Funding Policy*

The required contribution is based on a pay-as-you-go financing requirement. The Cooperative contributes 50 percent of the cost of only medical insurance premiums for eligible retired plan members. Plan members receiving benefits contribute the remaining portion of their premium costs. For 2023, the Cooperative contributed approximately \$108,536 towards these benefits, including the pre-funded contribution discussed below.

The Commonwealth of Massachusetts passed special legislation that has allowed the Cooperative to establish a postemployment benefit trust fund and to enable the Cooperative to begin pre-funding its other postemployment benefit (OPEB) liabilities. During 2023, the Cooperative contributed \$60,000 of additional funds to the OPEB trust fund in excess of the pay-as-you-go required contributions. As of June 30, 2023, the balance of this fund totaled \$607,567.

*Measurement Date*

GASB #74 requires the net OPEB liability to be measured as of the OPEB Plan’s most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2022.

*Membership*

The following represents the Plan’s membership at June 30, 2023:

Active members.....	98
Inactive members currently receiving benefits.....	<u>16</u>
Total.....	<u><u>114</u></u>

*Components of OPEB Liability*

Components of the other postemployment benefits liability as of June 30, 2023, were as follows:

Total OPEB liability.....	\$	4,842,780
Less: OPEB plan’s fiduciary net position.....		<u>(607,567)</u>
Net OPEB liability.....	\$	<u><u>4,235,213</u></u>
The OPEB plan’s fiduciary net position as a percentage of the total OPEB liability.....		12.55%

*Significant Actuarial Assumption*

The total other postemployment benefit liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions:

Valuation date.....	July 1, 2022
Actuarial cost method.....	Entry Age Normal Cost Method.
Inflation rate.....	2.4% per year
Investment rate of return.....	6.50%, net of investment expenses, including inflation.
Healthcare cost trend rate.....	6.50% per year graded down by the getzen model to an ultimate rate of 4.14% per year.
Pre-retirement mortality.....	PubT.H-2010 Mortality Table with generational MP-2021 improvement Scale
Healthy retiree mortality.....	PubT.H-2010 Mortality Table with generational MP-2021 improvement Scale
Disabled retiree mortality.....	PubT.H-2010 Mortality Table with generational MP-2021 improvement Scale

*Rate of return*

The annual money-weighted rate of return on OPEB plan investments was 7.44%. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real of returns (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 of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The Plan’s expected future real rate of return is added to the expected inflation to produce the long-term expected nominal rate of return of 6.09%. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of June 30, 2023 are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	29.60%	7.34%
Domestic bond.....	25.75%	3.62%
International equity.....	11.64%	8.10%
International bond.....	6.52%	3.26%
Alternatives.....	26.49%	6.21%
Cash and equivalents.....	0.00%	0.00%
Total.....	100.00%	

*Discount rate*

The discount rate used to measure the total OPEB liability was 3.90% as of June 30, 2023 and 3.73% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan's funding policy. Based on those assumptions, the OPEB plan's 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*Sensitivity of the net OPEB liability to changes in the discount rate*

The table on the following page presents the net other postemployment benefit liability, calculated using the discount rate of 3.90%, as well as what the net other postemployment benefit liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.90%) or 1-percentage-point higher (4.90%) than the current rate.

	1% Decrease (2.90%)	Current Discount Rate (3.90%)	1% Increase (4.90%)
Net OPEB liability.....	\$ 5,144,576	\$ 4,235,213	\$ 3,519,302

*Sensitivity of the net OPEB liability/(asset) to changes in the healthcare trend*

The following presents the net other postemployment benefit liability, calculated the healthcare trend rate if it was 1-percentage-point lower or 1-percentage-point higher than the current rate of 6.50% year one decreasing to 5.50%.

	1% Decrease	Current Trend	1% Increase
Net OPEB liability/(asset).....	\$ 2,729,809	\$ 4,235,213	\$ 6,222,947

*Changes in Net OPEB Liability*

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2022.....	\$ 4,555,437	\$ 507,915	\$ 4,047,522
Changes for the year:			
Service cost.....	460,098	-	460,098
Interest.....	168,226	-	168,226
Differences between expected and actual experience....	(313,736)	-	(313,736)
Changes in assumptions.....	21,291	-	21,291
Contributions - Employer.....	-	108,536	(108,536)
Contributions - Employee.....	48,536	48,536	-
Net investment income.....	-	39,652	(39,652)
Benefit payments.....	(97,072)	(97,072)	-
Net change.....	287,343	99,652	187,691
Balances at June 30, 2023.....	\$ 4,842,780	\$ 607,567	\$ 4,235,213

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

For the year ended June 30, 2023, the Cooperative recognized OPEB expense of \$260,380. The Cooperative reported deferred outflows of resources and deferred inflows of resources related to OPEB of \$1,535,649 and \$4,763,356 from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience..... \$	-	\$ (2,743,034)	\$ (2,743,034)
Difference between projected and actual earnings, net.....	57,041	(32,674)	24,367
Changes in assumptions.....	1,478,608	(1,987,648)	(509,040)
Total deferred outflows/(inflows) of resources..... \$	<u>1,535,649</u>	<u>\$ (4,763,356)</u>	<u>\$ (3,227,707)</u>

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

Measurement date year ended June 30:

2024.....	\$ (337,032)
2025.....	(338,639)
2026.....	(326,316)
2027.....	(344,794)
2027.....	(342,787)
Thereafter.....	<u>(1,538,139)</u>
Total.....	<u>\$ (3,227,707)</u>

*Changes in assumptions*

None.

*Changes in plan provisions*

None.

**NOTE 11 – CONTINGENCIES**

Various legal actions and claims are pending against the Cooperative. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2023 cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2023.

**NOTE 12 – RESTATEMENT OF BEGINNING NET POSITION**

Beginning net position in the Cooperative’s governmental activities has been restated to reflect a correction of an error reported in the previous year related to recording the Cooperative’s net other postemployment benefit liability. The effect of the restatement is as follows:

	06/30/2022 Previously Reported Balances	Correction of an error in recording OPEB	06/30/2022 Revised Balances
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Government-Wide Financial Statements</b>			
Governmental activities.....	\$ (455,947)	\$ (3,263,178)	\$ (3,719,125)

**NOTE 13 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 15, 2023 which is the date the financial statements were available to be issued.

**NOTE 14 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During 2023, the following GASB pronouncements were implemented:

- GASB Statement #91, *Conduit Debt Obligations*. This pronouncement did not impact the basic financial statements.
- GASB Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This pronouncement did not impact the basic financial statements.
- GASB Statement #96, *Subscription-Based Information Technology Arrangements*. This pronouncement did not impact the basic financial statements.
- GASB Statement #99, *Omnibus 2022*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #100, *Accounting Changes and Error Corrections*, which is required to be implemented in 2024.
- The GASB issued Statement #101, *Compensated Absences*, which is required to be implemented in 2025.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

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## ***Required Supplementary Information***

# ***General Fund Budgetary Comparison Schedule***

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



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

YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual Budgetary Amounts	Variance to Final Budget
	Original Budget	Final Budget		
<b>REVENUES:</b>				
Tuition and therapy fees.....	\$ 6,742,044	\$ 6,821,028	\$ 6,913,544	\$ 92,516
Member assessments.....	178,991	178,992	178,992	-
Sponsorship.....	962,192	962,192	1,080,504	118,312
Sublease rental income.....	401,424	401,424	395,735	(5,689)
Governmental revenue.....	-	42,900	38,042	(4,858)
Other.....	1,082,231	1,117,247	944,783	(172,464)
<b>TOTAL REVENUES.....</b>	<b>9,366,882</b>	<b>9,523,783</b>	<b>9,551,600</b>	<b>27,817</b>
<b>EXPENDITURES:</b>				
Current:				
Instructional salaries.....	4,573,656	5,249,909	4,637,257	612,652
Administrative salaries.....	1,302,130	1,357,000	1,340,915	16,085
Benefits.....	827,545	877,545	843,355	34,190
Rent.....	913,528	913,528	913,428	100
Contracted Services.....	844,463	844,463	545,279	299,184
Instructional.....	318,255	318,255	303,910	14,345
Capital Outlay.....	237,800	71,930	41,709	30,221
Other.....	734,397	1,002,297	924,818	77,479
<b>TOTAL EXPENDITURES.....</b>	<b>9,751,774</b>	<b>10,634,927</b>	<b>9,550,671</b>	<b>1,084,256</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(384,892)</b>	<b>(1,111,144)</b>	<b>929</b>	<b>1,112,073</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Use of cumulative surplus.....	384,892	1,111,144	-	(1,111,144)
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>-</b>	<b>-</b>	<b>929</b>	<b>929</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>3,606,735</b>	<b>3,606,735</b>	<b>3,606,735</b>	<b>-</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 3,606,735</b>	<b>\$ 3,606,735</b>	<b>\$ 3,607,664</b>	<b>\$ 929</b>

See notes to required supplementary information.

# ***Cooperative Pension Plan Schedules***

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts State Employees Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the Cooperative along with related ratios.

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the Cooperative along with related ratios.

The Schedule of Cooperative's Contributions presents multi-year trend information on the Cooperative's required and actual contributions to the pension plan and related ratios.

These schedules are intended to present information for ten years. Until a ten year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS  
OF THE NET PENSION LIABILITY  
MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM**

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The Collaborative's teachers and retired teachers pensions are covered under the Massachusetts Teachers Retirement System while all other employees and retirees are covered under the Massachusetts State Employees Retirement System. This schedule only reports on the nonteacher employees and retirees covered under the Massachusetts State Employees Retirement System.

A special funding situation was created by Massachusetts General Laws for all educational collaboratives in the Commonwealth. Collaboratives contribute amounts equal to the normal cost of employees' benefits at a rate established by PERAC, currently 5.6% of covered payroll. Legally, the collaboratives are only responsible for contributing the annual normal cost of their employees' benefits (i.e., the present value of the benefits earned by those employees in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the collaboratives. The Commonwealth as a nonemployer is legally responsible for the entire past service cost related to the collaboratives and therefore has a 100% special funding situation. Since the collaborative does not contribute directly to MSERS for the past service cost, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the collaborative; the portion of the collective pension expense as both a revenue and pension expense recognized by the collaborative; and the Plan's fiduciary net position as a percentage of the total liability.

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2023.....	\$ 4,256,371	\$ 334,562	71.05%
2022.....	2,877,228	175,724	77.54%
2021.....	4,649,334	694,071	62.48%
2020.....	3,983,123	661,656	66.28%
2019.....	3,124,894	411,683	67.91%
2018.....	2,902,358	375,545	67.21%
2017.....	2,995,106	415,954	63.48%
2016.....	2,190,232	243,865	67.87%
2015.....	2,170,120	123,665	76.32%

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS  
OF THE NET PENSION LIABILITY  
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

---

The Collaborative's teachers and retired teachers pensions are covered under the Massachusetts Teachers Retirement System while all other employees and retirees are covered under the Massachusetts State Employees Retirement System. This schedule only reports on the teacher and retired teachers covered under the Massachusetts Teachers' Retirement System.

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2023.....	\$ 9,694,152	\$ 797,439	57.75%
2022.....	7,992,412	641,358	62.03%
2021.....	10,103,252	1,247,896	50.67%
2020.....	10,135,151	1,229,063	53.95%
2019.....	10,036,102	1,017,014	54.84%
2018.....	9,159,370	955,990	54.25%
2017.....	8,960,099	913,989	52.73%
2016.....	8,382,500	679,895	55.38%
2015.....	6,808,328	473,007	61.64%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF CONTRIBUTIONS**  
**MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM**

---

A special funding situation was created by Massachusetts General Laws for all educational collaboratives in the Commonwealth. Collaboratives contribute amounts equal to the normal cost of employees' benefits at a rate established by PERAC, currently 5.6% of covered payroll. Legally, the collaboratives are only responsible for contributing the annual normal cost of their employees' benefits (i.e., the present value of the benefits earned by those employees in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the collaboratives. The Commonwealth as a nonemployer is legally responsible for the entire past service cost related to the collaboratives and therefore has a 100% special funding situation. Since the collaborative does not contribute directly to MSERS for the past service cost, there is no net pension liability to recognize. This schedule discloses the collaborative's required and actual contribution for the normal cost; covered payroll; and contributions recognized by the pension plan in relation to the covered payroll.

Year	Collaborative's Statutory Required and Actual Contribution for Normal Cost	Collaborative's Covered Payroll	Amount of Contributions Recognized by the Pension Plan in Relation to Covered Payroll
2023.....	\$ 112,448	\$ 1,843,410	6.10%
2022.....	92,993	1,524,475	6.10%
2021.....	101,005	1,803,661	5.60%
2020.....	94,582	1,688,964	5.60%
2019.....	88,647	1,582,982	5.60%
2018.....	73,663	1,315,411	5.60%
2017.....	67,752	1,209,857	5.60%
2016.....	58,973	1,053,089	5.60%
2015.....	67,493	1,205,232	5.60%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

# ***Other Postemployment Benefits Plan Schedules***

The Schedule of Changes in the Cooperative's Net Other Postemployment Benefit Liability presents multi-year trend information on the School's net other postemployment benefit liability and related ratios.

The Schedule of the Cooperative's Contributions presents multi-year trend information on the Cooperative's actual contributions to the other postemployment benefit plan and related ratios.

The Schedule of Investment Returns presents multi-year trend information on the money-weighted investment return on other postemployment assets, net of investment expense.

These schedules are intended to present information for ten years. Until a ten year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF CHANGES IN THE  
COOPERATIVE'S NET OPEB LIABILITY AND RELATED RATIOS  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
<b>Total OPEB Liability</b>						
Service Cost.....	\$ 523,484	\$ 540,172	\$ 661,348	\$ 718,211	\$ 800,541	\$ 460,098
Interest.....	163,219	143,623	173,050	142,547	137,335	168,226
Differences between expected and actual experience...	(1,057,550)	(35,849)	(1,284,090)	(36,910)	(1,160,494)	(313,736)
Changes of assumptions.....	(198,952)	927,635	741,390	545,716	(2,267,396)	21,291
Benefit payments.....	(36,676)	(37,866)	(42,725)	(50,589)	(45,164)	(48,536)
Net change in total OPEB liability.....	(606,475)	1,537,715	248,973	1,318,975	(2,535,178)	287,343
Total OPEB liability - beginning.....	4,591,427	3,984,952	5,522,667	5,771,640	7,090,615	4,555,437
Total OPEB liability - ending (a).....	<u>\$ 3,984,952</u>	<u>\$ 5,522,667</u>	<u>\$ 5,771,640</u>	<u>\$ 7,090,615</u>	<u>\$ 4,555,437</u>	<u>\$ 4,842,780</u>
<b>Plan fiduciary net position</b>						
Employer contributions.....	\$ 76,676	\$ 143,040	\$ 72,725	\$ 60,589	\$ 195,164	\$ 108,536
Employee Contributions.....	36,676	37,866	42,725	50,589	45,164	48,536
Net investment income.....	6,466	15,219	9,729	81,876	(67,429)	39,806
Benefit payments.....	(73,352)	(75,732)	(85,450)	(101,178)	(90,328)	(97,072)
Net change in plan fiduciary net position.....	46,466	120,393	39,729	91,876	82,571	99,806
Plan fiduciary net position - beginning of year.....	126,726	173,192	293,585	333,314	425,190	507,761
Plan fiduciary net position - end of year (b).....	<u>\$ 173,192</u>	<u>\$ 293,585</u>	<u>\$ 333,314</u>	<u>\$ 425,190</u>	<u>\$ 507,761</u>	<u>\$ 607,567</u>
<b>Net OPEB liability - ending (a)-(b).....</b>	<u>\$ 3,811,760</u>	<u>\$ 5,229,082</u>	<u>\$ 5,438,326</u>	<u>\$ 6,665,425</u>	<u>\$ 4,047,676</u>	<u>\$ 4,235,213</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	4.35%	5.32%	5.78%	6.00%	11.15%	12.55%
Covered-employee payroll.....	\$ 5,161,139	\$ 5,316,000	\$ 5,413,638	\$ 5,576,000	\$ 5,073,193	\$ 5,225,000
Net OPEB liability as a percentage of covered-employee payroll.....	73.86%	98.36%	100.46%	119.54%	79.79%	81.06%

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those years for  
which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE 'S CONTRIBUTIONS**  
**OTHER POSTEMPLOYMENT BENEFIT PLAN**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
June 30, 2023.....	\$ 686,554	\$ (108,536)	\$ 578,018	\$ 5,225,000	2.08%
June 30, 2022.....	1,096,110	(195,164)	900,946	5,073,193	3.85%
June 30, 2021.....	977,695	(60,588)	917,107	5,576,000	1.09%
June 30, 2020.....	933,678	(72,725)	860,953	5,413,638	1.34%
June 30, 2019.....	751,075	(143,040)	608,035	5,316,000	2.69%
June 30, 2018.....	768,674	(76,676)	691,998	5,161,139	1.49%

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.



**SCHEDULE OF INVESTMENT RETURNS**  
**OTHER POSTEMPLOYMENT BENEFIT PLAN**

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<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2023.....	7.44%
June 30, 2022.....	-13.45%
June 30, 2021.....	24.20%
June 30, 2020.....	3.15%
June 30, 2019.....	6.74%
June 30, 2018.....	4.41%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**NOTE A – BUDGETARY BASIS OF ACCOUNTING**

A. Budgetary Information

The Cooperative adopts a balanced budget that is approved by the Cooperative’s Board of Directors. The Business Administrator presents an annual budget to the Board, which includes estimates of revenues and other financing sources, and recommendations of expenditures and other financing uses. The Board, which has the full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote. Increases to the budget subsequent to the approval of the annual budget require majority Board approval.

The majority of appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year’s original budget.

The Cooperative adopts an annual budget for the general fund in conformity with the guidelines described above. The original 2023 approved budget for the general fund authorized approximately \$9.8 million in appropriations.

The Director of Finance & Operations has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, a budgetary basis of accounting is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2023, is presented below:

Net change in fund balance - budgetary basis.....	\$	929
<u>Basis of accounting differences:</u>		
Recognition of revenue for on-behalf payments.....		1,132,001
Recognition of expenditures for on-behalf payments.....		<u>(1,132,001)</u>
Net change in fund balance - GAAP basis.....	\$	<u>929</u>

**NOTE B – PENSION PLAN**A. Schedule of Cooperative's Contributions

A special funding situation was created by Massachusetts General Laws for all Educational Cooperatives in the Commonwealth. Cooperatives contribute amounts equal to the normal cost of non-teaching employees' benefits at a rate established by the Public Employees' Retirement Administration Commission (PERAC), currently 6.1% of covered payroll. Legally, the Cooperatives are only responsible for contributing the annual normal cost of their employees' benefits (i.e., the present value of the benefits earned by those employees in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the Cooperatives.

B. Schedules of the Special Funding Amounts of the Net Pension Liabilities

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the Cooperative which create two special funding situations.

- The MSERS schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Cooperative; the portion of the collective pension expense as both revenue and pension expense recognized by the Cooperative; and the Plan's fiduciary net position as a percentage of the total liability.
- The MTRS schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Cooperative; the portion of the collective pension expense as both revenue and pension expense recognized by the Cooperative; and the Plan's fiduciary net position as a percentage of the total liability.

**NOTE C – OTHER POSTEMPLOYMENT BENEFITS**

The Cooperative administers a single-employer defined benefit healthcare plan (the "Other Postemployment Benefit Plan"). The plan provides lifetime healthcare for eligible retirees through the Cooperative's health insurance plan, which covers both active and retired members.

Schedule of Changes in the Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the Cooperative's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered-employee payroll.

Schedule of the Cooperative's Contributions

The Schedule of the Cooperative's Contributions includes the Cooperative's annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered-employee payroll. The Cooperative is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll. The actuarially determined contribution rate is calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported. Methods and assumptions used to determine contribution rates are shown on the following page.

Valuation date.....	July 1, 2022
Actuarial cost method.....	Entry Age Normal Cost Method.
Inflation rate.....	2.4% per year
Investment rate of return.....	6.50%, net of investment expenses, including inflation.
Healthcare cost trend rate.....	6.50% per year graded down by the getzen model to an ultimate rate of 4.14% per year.
Pre-retirement mortality.....	PubT.H-2010 Mortality Table with generational MP-2021 improvement Scale
Healthy retiree mortality.....	PubT.H-2010 Mortality Table with generational MP-2021 improvement Scale
Disabled retiree mortality.....	PubT.H-2010 Mortality Table with generational MP-2021 improvement Scale

Schedule of Investment Returns

The Schedule of Investment Return includes the money-weighted investment return on other postemployment assets, net of investment expense.

Changes in Assumptions

None.

Changes in Plan Provisions

None.

## ***Other Information***

**REQUIRED DISCLOSURES FOR MASSACHUSETTS EDUCATIONAL COOPERATIVES**

The following information is provided to conform with the requirements of the Massachusetts Session Law, Chapter 43 of the Acts of 2012: An Act Relative to Improving Accountability and Oversight of Education Cooperatives. This law was adopted in March of 2012 and constitutes a comprehensive amendment Massachusetts General Law, Chapter 40, Section 4E which establishes the requirements for the formation and administration of Educational Cooperatives in Massachusetts.

**NOTE 1 – TRANSACTIONS BETWEEN THE EDUCATIONAL COOPERATIVE AND ANY RELATED FOR-PROFIT OR NON-PROFIT ORGANIZATION**

There are no related organizations that the Cooperative is associated with and therefore no transactions to report.

**NOTE 2 – TRANSACTIONS OR CONTRACTS RELATED TO THE PURCHASE, SALE, RENTAL, OR LEASE OF REAL PROPERTY**

The Cooperative has entered into various lease agreements the office building and equipment. The cost of these leases for 2023, totaled approximately \$928,000, and is reported as debt service on leases in the general fund. The cost of the assets acquired through the lease totaled approximately \$8.6 million, and the accumulated depreciation on those assets totaled approximately \$1.3 million.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023 were as follows:

Years ending June 30:	Governmental Activities		
	Principal	Interest	Total
2024.....	\$ 398,176	\$ 498,587	\$ 896,763
2025.....	480,742	470,652	951,394
2026.....	511,777	438,407	950,184
2027.....	560,723	403,739	964,462
2028.....	704,942	278,735	983,677
2029 though 2033.....	3,612,877	1,185,532	4,798,409
2034 though 2035.....	1,586,219	141,184	1,727,403
Total minimum lease payments.....	\$ <u>7,855,455</u>	\$ <u>3,416,836</u>	\$ <u>11,272,291</u>

**NOTE 3 – NAMES, DUTIES, AND TOTAL COMPENSATION OF THE FIVE MOST HIGHLY COMPENSATED EMPLOYEES**

The following employees were the five highest compensated employees for the period ended June 30, 2023:

Name	Employee Position	Total Compensation
Zachary Abrams	Director of Student Services.....	\$ 138,550
Dan Shovak	Director of Finance & Operations.....	137,119
Deb Caligaris	Director of TEC HS.....	119,740
Meredith Faletra	Director of Campus School.....	112,655
Liz McGonagle	Executive Director.....	110,078

**NOTE 4 – AMOUNTS EXPENDED ON ADMINISTRATION AND OVERHEAD**

For the year ended June 30, 2023, the Cooperative expended \$252,289 and \$607,687 for amounts related to administration and overhead, respectively.

**NOTE 5 – ACCOUNTS HELD BY THE COOPERATIVE THAT MAY BE SPENT AT THE DISCRETION OF ANOTHER PERSON OR ENTITY**

At June 30, 2023, there were no accounts that qualified for reporting in this category.

**NOTE 6 – AMOUNTS EXPENDED ON SERVICES FOR INDIVIDUALS WITH DISABILITIES, 22 YEARS OF AGE OR OLDER**

At June 30, 2023, there were no expenditures that qualified for reporting in this category.

**NOTE 7 – ANNUAL DETERMINATION AND DISCLOSURE OF CUMULATIVE SURPLUS**

Certified Cumulative Surplus is defined as the amount of general fund surplus in the Cooperative accounts, as certified through an independent audit. Cumulative surplus is derived from a Cooperative’s unexpended general funds over a number of fiscal years. General funds are for the most part, the funds that a Cooperative receives from school districts for tuitions, dues, fees for service, surcharges and related interest, as well as indirect costs allowed under certain grant awards not earmarked under the conditions of the funding for a specific purpose.

The Board of Directors voted to approve and retain \$2,380,640 as the amount designated as Cumulative Surplus from the general funds remaining in the Cooperative’s accounts as of June 30, 2023. This amount does not exceed the limit of 25% of general fund expenditures for the year as shown in the following table:

**The Education Cooperative**

Surplus Calculation		Fiscal Year 2023	Enter values below	Page in FY23 FS
(A)	<b>Surplus as of June 30, 2022</b>		\$ 3,018,034	(A) p. 18
	<i>(Breakdown of use of 2022 surplus)</i>			
	B(1) used to support the FY23 budget		\$ (384,892)	
	B(2) issued as credits to member districts		\$ -	
	B(3) issued as a check(s) to member district(s)		\$ -	
	B(4) deposited to a restricted account(s)		\$ 1,023,215	
(B)	<b>Board voted uses of surplus funds during FY23</b>		(total from B1:B4) \$ 638,323	(B) p. 18
(C)	<b>Unexpended FY23 General Funds</b>		\$ 929	(C) p. 18
(D)	Cumulative Surplus as of June 30, 2023		(A) - (B) + (C) = (D) \$ 2,380,640	(D) p. 18
(E)	<b>FY23 Total General Fund Expenditures *</b>		\$ 9,550,671	(E) p. 18
(F)	Cumulative Surplus Percentage		(D) ÷ (E) 24.93%	(F) p. N/a
<b>CUMULATIVE SURPLUS REDUCTION</b>				
<b>Allowable uses of surplus - in excess of the 25% limit</b>				
(G)	Cumulative surplus as of June 30, 2023		\$ 2,380,640	
			25% limit (allowed) \$ 2,387,668	
(H)	<b>Cumulative Surplus REDUCTIONS</b>			
	(H)1 Credited to member districts for tuition, services, etc.		\$ -	
	(H)2 Deposited to an established trust and/or reserve fund		\$ -	
	(H)3 Returned (check) to school districts/towns		\$ -	
	<b>Total Reductions</b>		\$ -	
	<b>FY23 Cumulative Surplus Percentage after Reductions</b>		24.93%	

\* Net of intergovernmental on-behalf payments.



***Report on Internal Control Over Financial Reporting and on Compliance***

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**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**

**Independent Auditor's Report**

To the Board of Directors  
The Education Cooperative  
East Walpole, Massachusetts

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 governmental activities, each major fund, and the aggregate remaining fund information of The Education Cooperative (the "Cooperative"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements, and have issued our report thereon dated December 15, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Cooperative'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 Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative'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 Cooperative'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 or significant deficiencies may exist that were not identified.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative'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 Cooperative's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



December 15, 2023