

THE EDUCATION COOPERATIVE
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022
AND
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

THE EDUCATION COOPERATIVE
BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Education Cooperative
East Walpole, Massachusetts

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, East Walpole, Massachusetts, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise The Education Cooperative, East Walpole, Massachusetts'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, East Walpole, Massachusetts, as of June 30, 2022, and the respective changes in financial position, and the respective budgetary comparison for the general fund, for the year then ended in conformity 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. 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, East Walpole, Massachusetts, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 Education Cooperative, East Walpole Massachusetts'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.

Certified Public Accountants

5 Edgell Road, Suite 38, Framingham, Massachusetts 01701 (508) 620-7911 FAX (508) 620-7608 www.borgattiharrison.com

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 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 by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted 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 Education Cooperative, East Walpole, Massachusetts'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 Education Cooperative, East Walpole, Massachusetts's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charges 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 on pages 4 through 7, certain pension information on pages 41 and 42, and certain OPEB information on pages 43, 44 and 45, 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 *Government Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Education Cooperative, East Walpole, Massachusetts's basic financial statements. The accompanying Supplementary information on pages 39 and 41 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2022, on our consideration of The Education Cooperative, East Walpole, Massachusetts'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 Education Cooperative, East Walpole, Massachusetts'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 Education Cooperative, East Walpole, Massachusetts's internal control over financial reporting and compliance.



Borgatti Harrison & Co.

Framingham, Massachusetts
October 3, 2022

Management's Discussion and Analysis

As Management of The Education Cooperative, we offer readers of the Cooperative financial statements this narrative overview and analysis of financial activities of the Cooperative for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our basic statements and notes to the basic statements.

Financial Highlights

The liabilities of The Education Cooperative exceeded its assets at the close of the fiscal year by \$455,947 (net position). Of this amount, \$(681,703) (unrestricted net position) may be used to meet ongoing obligations of the Cooperative. Cumulative liability recognized for Net Other Post-Employment Benefits, including Deferred Inflows and Outflows of resources, in accordance with GASB Statement 75, is \$4,047,522.

The total assets of the Cooperative are \$16,226,506, of which, \$4,847,858 are current assets.

The total revenues of the Cooperative for fiscal 2022 were \$10,125,072, a decrease of \$921,829 (8.34%) over fiscal 2021, primarily due to the PPP loan forgiven in the amount of \$898,399 in 2021.

The total expenses of the Cooperative for fiscal 2022 were \$7,240,300, a decrease of \$4,007,356 (35.63%) over fiscal 2021, primarily due to a decrease in the OPEB liability in the amount of \$2,617,903.

The overall financial position of the Cooperative is stable. The change in net position for the fiscal year amounts to an increase of \$2,884,772.

Overview of Financial Statements

This overview is intended to serve as an introduction to the Cooperative's basic financial statements. The Cooperative's basic financial statements consist of 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 the Cooperative finances, in a manner similar to a private sector business.

The statement of net position presents information on all of the Cooperative's assets and liabilities, with the difference between the two reports as net assets. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Cooperative is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions that are principally supported by member tuitions and intergovernmental revenues (government activities). The governmental activities include general government, pension benefits, property and liability insurance, employee benefits, claims and judgments, and interest.

Fund Financial Statements:

A fund is a grouping of related accounts or a single account 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 are governmental funds.

Governmental Funds:

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental 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 balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Education Cooperative adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 8 through 16.

Notes to the 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. The notes to the financial statements can be found on pages 18 through 38 of this report. An index of the notes appears on page 17.

Financial Analysis of Governmental Funds:

As noted earlier, the Cooperative uses fund accounting to ensure and demonstrate compliance with local, state and federal requirements.

Governmental Funds- The focus of the Cooperative 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 financial requirements. In particular, undesignated fund balance may serve as a useful measure of the Cooperative's net resources available for spending at the end of the fiscal year.

General Fund Budgetary Highlights:

Actual revenues were \$9,253,369, over budget by \$65,706.

Actual expenditures were \$8,767,127, under budget by \$420,536, primarily instructional salaries.

Fiscal Year 2023

The Cooperative has appropriated a balanced annual budget for FY 2023 of \$10,854,770. Student enrollment is based on an average of 90 students, an increase of 10 students over FY2022. The budget also includes a 0% tuition increase except TEC high school and TEC Phoenix Academy.

Government-Wide Financial Analysis:

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Governmental liabilities exceeded assets by \$455,947 at the close of FY 2022, an increase of \$2,884,772.

During fiscal 2022, the Collaborative adopted GASB Statement 87, Leases, which requires long-term leases to be reported as an asset and the long-term lease obligation be reported as a liability as of the beginning of the year. The leased asset and liability recorded as of July 1, 2021 was \$8,655,955. The statement also applies to the Collaboratives long-term subleases, which are reported as lease receivable and deferred inflow of resources. The lease receivable and deferred inflow recorded as of July 1, 2021 was \$2,010,303.

| | 2022 | 2021 | Change | % |
|--|-------------------|--------------------|--------------------|----------------|
| Cash | \$ 3,571,788 | \$ 3,448,651 | \$ 123,137 | 0.036 |
| Other current assets | 1,276,070 | 1,121,092 | 154,978 | 0.138 |
| Capital assets | 208,073 | 213,717 | (5,644) | -0.026 |
| Right-of-use assets | 8,028,510 | 8,655,955 | (627,445) | -0.072 |
| Lease receivable, net of current portion | 1,424,026 | 2,010,303 | (586,277) | -0.292 |
| Deferred Outflows of Resources | 1,718,039 | 1,827,706 | (109,667) | -0.060 |
| Total assets | 16,226,506 | 17,277,424 | (1,050,918) | -0.061 |
| Current liabilities | 1,331,641 | 1,443,101 | (111,460) | -0.077 |
| Net OPEB liability | 784,344 | 6,429,126 | (5,644,782) | -0.878 |
| Lease liability, net of current portion | 7,855,455 | 8,655,955 | (800,500) | -0.092 |
| Deferred Inflows of Resources | 6,711,013 | 4,074,308 | 2,636,705 | 0.647 |
| Other liabilities | - | 15,652 | (15,652) | -1.000 |
| Total liabilities | 16,682,453 | 20,618,142 | (3,935,689) | -0.191 |
| Restricted net assets | 17,683 | 24,104 | (6,421) | -0.266 |
| Unrestricted net assets | (681,703) | (3,544,957) | 2,863,254 | -0.808 |
| Net investment in capital assets | 208,073 | 180,135 | 27,938 | 0.155 |
| Total net assets | (455,947) | (3,340,718) | 2,884,771 | -0.864 |
| Charges for services | 391,142 | 478,884 | (87,742) | -0.183 |
| Operating grants and contributions | 1,083,246 | 1,467,337 | (384,091) | -0.262 |
| Capital grant and contributions | - | - | - | 0.000 |
| Member assessments | 178,992 | 178,991 | 1 | 0.000 |
| Tuitions and other general revenues | 7,516,518 | 8,023,290 | (506,772) | -0.063 |
| Other income | 955,174 | 898,399 | 56,775 | 0.063 |
| Operating expenses | (7,240,300) | (11,247,656) | 4,007,356 | -0.356 |
| Change in net assets | 2,884,772 | (200,755) | 3,085,527 | -15.370 |

Requests for information:

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

**THE EDUCATION COOPERATIVE
STATEMENT OF NET POSITION
JUNE 30 2022**

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS | |
| Current Assets: | |
| Cash and equivalents | \$ 3,571,788 |
| Accounts receivable, net | 786,894 |
| Current portion of lease receivable | 296,880 |
| Prepaid expenses | <u>192,296</u> |
| Total current assets | <u>4,847,858</u> |
| Noncurrent Assets: | |
| Lease receivable, net of current portion | 1,424,026 |
| Right-of-use assets | 8,028,510 |
| Capital assets, net of accumulated depreciation | <u>208,073</u> |
| Total noncurrent assets | <u>9,660,609</u> |
| Deferred Outflows of Resources | |
| OPEB related | <u>1,718,039</u> |
| Total Assets and Deferred Outflows of Resources | <u>16,226,506</u> |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts payable and accrued liabilities | 56,969 |
| Accrued payroll | 313,755 |
| Current portion of lease liability | 405,081 |
| Deferred revenue | <u>555,836</u> |
| Total current liabilities | <u>1,331,641</u> |
| Noncurrent Liabilities: | |
| Lease liability, net of current portion | 7,855,455 |
| Net other post employment benefits liability | <u>784,344</u> |
| Total noncurrent liabilities | <u>8,639,799</u> |
| Deferred Inflows of Resources | |
| Lease related | 1,729,796 |
| OPEB related | <u>4,981,217</u> |
| Total Liabilities and Deferred Inflows of Resources | <u>16,682,453</u> |
| NET POSITION | |
| Invested in capital assets, net of related debt | 208,073 |
| Restricted | 17,683 |
| Unrestricted | <u>(681,703)</u> |
| Total net position | <u>\$ (455,947)</u> |

The accompanying notes are an integral part of the financial statements

**THE EDUCATION COOPERATIVE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenue</u> | | | <u>Net (Expense) Revenue and Changes in Net Assets</u> |
|--------------------------------------|------------------|---------------------------------|---|---|--|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | |
| Primary government | | | | | |
| Governmental Activities: | | | | | |
| Instructional salaries | \$ 4,097,574 | \$ - | \$ 202,678 | \$ - | \$ (3,894,896) |
| Administrative salaries | 1,125,812 | - | - | - | (1,125,812) |
| Benefits | (854,804) | - | 876,324 | - | 1,731,128 |
| Rent | 483,309 | 391,142 | - | - | (92,167) |
| Contracted services | 600,404 | - | - | - | (600,404) |
| Instructional | 314,111 | - | 1,244 | - | (312,867) |
| Other | 686,137 | - | 3,000 | - | (683,137) |
| Depreciation | 787,757 | - | - | - | (787,757) |
| Total governmental activities | <u>7,240,300</u> | <u>391,142</u> | <u>1,083,246</u> | <u>-</u> | <u>(5,765,912)</u> |
| General revenues: | | | | | |
| Membership assessments | | | | | 178,992 |
| Tuition and other general revenues | | | | | 7,516,518 |
| Other income | | | | | 955,174 |
| Total general revenues | | | | | <u>8,650,684</u> |
| Change in net position | | | | | 2,884,772 |
| Net position - beginning of year | | | | | (3,340,719) |
| Net position - end of year | | | | | <u>\$ (455,947)</u> |

The accompanying notes are an integral part of the financial statements

**THE EDUCATION COOPERATIVE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

| | <u>General Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|--|---|
| ASSETS | | | |
| Cash and cash equivalents | \$ 3,554,105 | \$ 17,683 | \$ 3,571,788 |
| Accounts receivable, net | 786,894 | - | 786,894 |
| Prepaid expenses | 192,296 | - | 192,296 |
| Total assets | <u>\$ 4,533,295</u> | <u>\$ 17,683</u> | <u>\$ 4,550,978</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable and accrued liabilities | \$ 56,969 | \$ - | \$ 56,969 |
| Accrued payroll | 313,755 | - | 313,755 |
| Deferred revenue | 555,836 | - | 555,836 |
| Total liabilities | <u>926,560</u> | <u>-</u> | <u>926,560</u> |
| Deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances: | | | |
| Nonspendable | 192,296 | - | 192,296 |
| Restricted | 7,782 | 3,929 | 11,711 |
| Committed | 580,919 | - | 580,919 |
| Assigned | - | 13,754 | 13,754 |
| Unassigned | 2,825,738 | - | 2,825,738 |
| Total fund balances | <u>3,606,735</u> | <u>17,683</u> | <u>3,624,418</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 4,533,295</u> | <u>\$ 17,683</u> | <u>\$ 4,550,978</u> |

The accompanying notes are an integral part of the financial statements

**THE EDUCATION COOPERATIVE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT
OF NET POSITION
JUNE 30, 2022**

| | |
|--|--------------|
| Total fund balance, governmental funds | \$ 3,624,418 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. | 8,236,583 |
| Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Aposition | |
| Deferred Outflows of Resources | 1,718,039 |
| Lease Receivable | 1,720,906 |
| Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position: | |
| Net Other Post Employment Benefits Liability | (784,344) |
| Deferred Inflows of Resources | (6,711,013) |
| Lease Liability | (8,260,536) |
| Net Position of Governmental Activities in the Statement of Net Position | \$ (455,947) |

The accompanying notes are an integral part of the financial statements

THE EDUCATION COOPERATIVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

| | <u>General Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|--|---|
| REVENUES | | | |
| Tuition and therapy fees | \$ 6,564,577 | \$ - | \$ 6,564,577 |
| Member assessments | 178,992 | - | 178,992 |
| Sponsorship | 951,941 | - | 951,941 |
| Governmental revenue | 1,079,002 | 1,244 | 1,080,246 |
| Sublease rental income | 400,032 | - | 400,032 |
| Other income | 955,174 | 3,000 | 958,174 |
| | <hr/> | <hr/> | <hr/> |
| Total revenues | 10,129,718 | 4,244 | 10,133,962 |
| EXPENDITURES | | | |
| Instructional salaries | 4,097,574 | - | 4,097,574 |
| Administrative salaries | 1,125,812 | - | 1,125,812 |
| Benefits | 1,763,099 | - | 1,763,099 |
| Rent | 912,373 | - | 912,373 |
| Contracted services | 600,404 | - | 600,404 |
| Instructional | 304,232 | 9,879 | 314,111 |
| Capital outlay | 121,023 | - | 121,023 |
| Other | 718,704 | 786 | 719,490 |
| Interest expense | 230 | - | 230 |
| | <hr/> | <hr/> | <hr/> |
| Total Expenditures | 9,643,451 | 10,665 | 9,654,116 |
| Excess (deficiency) of revenues over expenditures | 486,267 | (6,421) | 479,846 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in (out) | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| Total other financing sources and uses | - | - | - |
| Net change in fund balances | 486,267 | (6,421) | 479,846 |
| Fund balances - beginning of year | 3,120,468 | 24,104 | 3,144,572 |
| | <hr/> | <hr/> | <hr/> |
| Fund balances - end of year | \$ 3,606,735 | \$ 17,683 | \$ 3,624,418 |

The accompanying notes are an integral part of the financial statements

THE EDUCATION COOPERATIVE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Net change in fund balances - total governmental funds: \$ 479,846

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays (\$121,023) exceeded depreciation (\$787,757) in the current period. (666,734)

Governmental funds report loan and lease proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance as a liability. Governmental funds report repayment of loan and lease principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments. -

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

| | |
|--|-----------|
| Other Post Employment Benefits Liability | 2,617,903 |
| Lease Liability | 453,757 |

| | |
|---|--------------|
| Change in net position of governmental activities | \$ 2,884,772 |
|---|--------------|

The accompanying notes are an integral part of the financial statements

THE EDUCATION COOPERATIVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|---|-------------------------|---------------------|------------------------|-----------------------|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget -</u> |
| | | | <u>Budgetary Basis</u> | <u>Positive</u> |
| | | | | <u>(Negative)</u> |
| REVENUES | | | | |
| Tuition and therapy fees | \$ 6,135,845 | \$ 6,522,677 | \$ 6,564,577 | \$ 41,900 |
| Member assessments | 178,991 | 178,991 | 178,992 | 1 |
| Sponsorship | 781,463 | 859,100 | 951,941 | 92,841 |
| Sublease rental income | 504,169 | 504,169 | 400,032 | (104,137) |
| Governmental revenue | - | 203,922 | 202,678 | (1,244) |
| Other | 918,804 | 918,804 | 955,149 | 36,345 |
| Total revenues | 8,519,272 | 9,187,663 | 9,253,369 | 65,706 |
| EXPENDITURES | | | | |
| Instructional salaries | 4,056,288 | 4,517,770 | 4,097,574 | 420,196 |
| Administrative salaries | 1,197,342 | 1,167,406 | 1,125,812 | 41,594 |
| Benefits | 793,560 | 924,660 | 886,775 | 37,885 |
| Rent | 912,473 | 912,473 | 912,373 | 100 |
| Contracted services | 752,483 | 581,779 | 600,404 | (18,625) |
| Instructional | 177,540 | 253,201 | 304,232 | (51,031) |
| Capital outlay | 192,100 | 146,131 | 121,023 | 25,108 |
| Other | 1,311,176 | 684,243 | 718,934 | (34,691) |
| Total expenditures | 9,392,962 | 9,187,663 | 8,767,127 | 420,536 |
| Excess (deficiency) of revenues over expenditures | (873,690) | - | 486,242 | 486,242 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Use of cumulative surplus | 873,690 | - | - | - |
| Transfers in (out) | - | - | - | - |
| Total other financing sources and uses | 873,690 | - | - | - |
| Net change in fund balances | - | - | 486,242 | 486,242 |
| Fund balances - beginning of year | 2,239,021 | 3,112,711 | 3,112,711 | - |
| Fund balances - end of year | \$ 2,239,021 | \$ 3,112,711 | \$ 3,598,953 | \$ 486,242 |

The accompanying notes are an integral part of the financial statements

**THE EDUCATION COOPERATIVE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022**

| | <u>Other Post- Employment Benefits Trust</u> |
|---|--|
| ASSETS | |
| Cash and cash equivalents | \$ 507,761 |
| Due from other governments | - |
| Total assets | <u>507,761</u> |
| LIABILITIES | |
| | - |
| Total liabilities | <u>-</u> |
| NET POSITION | |
| Held in trust for benefits and other purposes | <u>\$ 507,761</u> |

The accompanying notes are an integral part of the financial statements

**THE EDUCATION COOPERATIVE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

| | <u>Other Post- Employment Benefits Trust</u> |
|---------------------------------------|--|
| ADDITIONS | |
| Employer contribution | \$ 150,000 |
| Employer health premium contributions | 41,067 |
| Employee health premium contributions | 41,067 |
| Investment earnings | (65,426) |
| Total additions | 166,708 |
| DEDUCTIONS | |
| Health insurance premiums paid | 82,134 |
| Administrative expenses | 1,687 |
| Total deductions | 83,821 |
| Change in net assets | 82,887 |
| Net position - beginning of year | 424,874 |
| Net position - end of year | \$ 507,761 |

The accompanying notes are an integral part of the financial statements

THE EDUCATION COOPERATIVE
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THE EDUCATION COOPERATIVE
NOTES TO BASIC FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The Education Cooperative (Cooperative) is an educational collaborative established under Massachusetts General Laws, Chapter 40, Section 4E and Board of Education policy and an agreement between School Committees of the Towns of Canton, Dedham, Dover, Framingham, Holliston, Hopkinton, Medfield, Medway, Millis, Natick, Needham, Norwood, Sherborn, Walpole, Wayland, Wellesley and Westwood.

The Cooperative was formed in 1980 with the purpose of providing efficient and cost-effective solutions that suit the ever-changing needs of the member districts and the education community as a whole. The services include: professional development and licensure, multiple special education programs, internship opportunities, cooperative purchasing, alternative schools, and other resources that enhance the goals of educators, administrators, and students.

The accounting and reporting policies of the Collaborative relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United State of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable).

B. Financial Reporting Entity

The Cooperative's basic financial statements include the accounts of all Cooperative operations. The criteria for including organizations as component units within the Cooperative's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- * The organization is legally separate (can sue and be sued in their own name)
- * The Collaborative holds the corporate powers of the organization
- * The Collaborative appoints a voting majority of the organization's board
- * The Collaborative is able to impose its will on the organization
- * The organization has the potential to impose a financial benefit/burden on the Collaborative
- * There is fiscal dependency by the organization on the Collaborative

Based on the aforementioned criteria, The Education Cooperative has no component units.

THE EDUCATION COOPERATIVE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

C. Basis of Presentation

Government-Wide Financial Statements:

The government-wide financial statements (the statement of net position and the statement of changes in net position) report information on all of the activities of the Cooperative.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Member tuition and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The Cooperative segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental activities typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Cooperative has presented the following major governmental funds:

General Fund - This fund is the main operating fund of the Cooperative. It is used to account for all financial resources not accounted for in other funds. All member tuitions and other fees that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, insurance and benefits and other costs that are not paid through other funds are paid from the General Fund. The general fund is always considered a major fund.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the **nonmajor governmental funds** column on the governmental funds financial statements. The following describes the general use of these fund types:

Special Revenue Fund - This fund is used to account for the proceeds of specific revenue sources (other than capital projects or permanent funds) that are restricted by law or administrative action to expenditures for specified purposes.

Fiduciary Fund Financial Statements:

Other Post-Employment Benefits Trust Funds – This fund is used to account for resources legally held in trust for retiree health insurance premiums.

THE EDUCATION COOPERATIVE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

D. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations on their use either through the enabling legislations adopted by the Cooperative or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

E. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Cooperative is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (Massachusetts General Laws or Collaborative Agreement).

Enabling legislation authorizes the Cooperative to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Cooperative can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Cooperative Board. Those committed amounts cannot be used for any other purpose unless the Cooperative Board removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classifications may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts by Cooperative Board, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

THE EDUCATION COOPERATIVE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Cooperative for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by Cooperative Board, a Cooperative official delegated that authority by the Cooperative Agreement or ordinance.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Cooperative applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both 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 be used to pay liabilities of the current period.

The Cooperative considers revenues as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Government Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement costs, claims and judgments are recorded only when payment is due. The revenues susceptible to accrual are tuitions, program service fees, reimbursable income, interest income and intergovernmental revenues. All other governmental fund revenue is recognized when received.

THE EDUCATION COOPERATIVE
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

G. Budgetary Control

The Board of Directors annually determines the amount to be raised (after deducting the amount of anticipated revenues from other sources, including surplus revenue, if any) to maintain and operate the Cooperative during the next fiscal year and then, based upon enrollment data, assesses the member and non-member districts in accordance with the terms of the agreement.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2022 approved budget for the general fund was \$9,393,962 in appropriations and carryforwards. During fiscal year 2022, there were supplemental changes in appropriations in the amount of (\$205,299).

The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results, except for the effect of encumbrances and continuing appropriations, which are adjusted to the actual results for comparison. Deficits, if any, are raised in the subsequent year's budget process.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Cash and Investments

Cash of all funds, including restricted cash, are pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end.

An individual fund's pooled Cash and Cash Investments are available upon demand and are considered to be "cash equivalents" when preparing these financial statements. In addition, any marketable securities not included in the common pooled accounts that are purchased with a maturity of ninety days or less is also considered being "cash equivalents".

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

J. Inventories of Supplies

Supplies are considered to be expenditures at the time of purchase and are not included in the statement of net assets as inventories.

THE EDUCATION COOPERATIVE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

K. Interfund Receivable and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

L. Compensated Absences

Vacation and sick leave expenses are charged to operations when taken by the employees of the Cooperative rather than as earned. Vacation and sick time must be taken during the fiscal year granted.

M. Encumbrances and Continuing Appropriations

Encumbrance accounting, under which purchase orders, contracts and other commitments for fund expenditures are recorded in order to reserve portions of the applicable appropriation, is employed in the governmental funds. Open encumbrances at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

N. Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

O. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized, not including infrastructure assets, have an original cost of \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

| | |
|------------------------|---------|
| Equipment | 5 Years |
| Leasehold improvements | 5 Years |

THE EDUCATION COOPERATIVE

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

P. Claims and Judgments

Estimated losses from judgments and claims are recorded in the Government-Wide financial statements as a liability and as an expense if the loss is probable and amounts can be reasonably estimated.

Q. Reconciliation of Government-Wide and Fund Financial Statements

A summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total net position for governmental activities as shown on the government-wide statement of net position is presented in an accompanying schedule to the governmental funds balance sheet. The asset and liability elements, which comprise the reconciliation difference, stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

R. Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis. The amount of the allowance at June 30, 2022 amounted to \$ 1,400.

2 - BUDGETARY BASIS OF ACCOUNTING

The education Cooperative prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the Cooperative's method (budget basis) in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund to provide meaningful comparison of actual results with budget. The major differences between budget and GAAP basis in the General Fund are that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP).

Adjustments necessary to convert the General Fund's excess of revenues over expenditures on the budget basis to a GAAP basis are provided below:

| | |
|---|------------------|
| Excess of revenues over expenditures – budget basis | \$ 486,242 |
| Reserved for other purposes activity | 25 |
| Record revenue recognized for pension on-behalf payments | 876,324 |
| Record expenditures recognized for pension on-behalf payments | <u>(876,324)</u> |
| Excess of revenues over expenditures – GAAP basis | \$ 486,267 |
| | ===== |

THE EDUCATION COOPERATIVE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

3 - DEPOSITS AND INVESTMENTS

State and local statutes place certain limitations on the nature of deposits and investments available to the Cooperative. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels without collateralization or insurance protection by the financial institutions involved. Investments can be made in securities unconditionally guaranteed by the U.S. Government with maturities of 90 days or less which are collateralized by such securities. The Cooperative also has the authority to purchase units in the Massachusetts Municipal Depository Trust (MMDT), a pooled fund managed for the Commonwealth.

The Cooperative has expanded investment powers, including the ability to invest in equity securities, corporate bonds and other specified investments in relation to the Cooperative's restricted investments in the Permanent Funds. The Cooperative maintains a cash and investment pool that is available for use by all funds with unrestricted cash and investments.

Deposits – Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Cooperative's deposits may not be recovered. The Cooperative does not have a policy for custodial credit risk of deposits. As of June 30, 2022, \$3,200,940 of the Cooperative's bank balance of \$3,700,940 was uninsured and uncollateralized and, therefore, exposed to custodial credit risk.

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Cooperative will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Cooperative does not have a policy for custodial credit risk of investments.

Interest Rate Risk of Debt Securities – Investments

Interest rate risk of debt securities for investments is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Cooperative does not have a policy for interest rate risk of debt securities.

Credit Risk of Debt Securities – Investments

Credit risk of debt securities for investments is the risk that an issuer or other counterparty to a debt security will not fulfill its obligation. The Cooperative does not have a policy for credit risk of debt securities.

THE EDUCATION COOPERATIVE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

4 - PENSION PLANS

Massachusetts State Employees' Retirement System

The Massachusetts State Employees' Retirement System (MSERS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, 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 does not issue a stand-alone audited financial report.

Management of MSERS is vested in the Massachusetts State Retirement Board (MSRB), which consists of five members—two elected by current and active MSERS members, one by the remaining members of the MSRB, one who is chosen by the State Treasurer and the State Treasurer, who serves *ex-officio* and is the Chairman of the MSRB.

Benefits provided. MSERS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members of the system become fully vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching age 55 with ten years of service. Normal retirement for most employees occurs at age 65; for certain hazardous duty and public safety position, normal retirement is at age 55. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60

The MSERS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MSERS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Member contributions for MSERS vary depending on the most recent date of membership:

| <u>Hire Date</u> | <u>% of Compensation</u> |
|--------------------------|---|
| Prior to 1975..... | 5% of regular compensation |
| 1975 – 1983..... | 7% of regular compensation |
| 1984 to 6/30/1996..... | 8% of regular compensation |
| 7/1/1996 to present..... | 9% of regular compensation except for state police which is at 12% of regular compensation |
| 1979 to present..... | An additional 2% of regular compensation in excess of \$30,000 |

THE EDUCATION COOPERATIVE
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

The MSERS issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission.

Special funding situation. Educational Collaboratives contribute amounts equal to the normal costs of employees' benefits at a rate established by the Public Employees' Retirement Administration Commission (PERAC), currently 6.1% 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 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 as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity in MSERS. Since the employers do not contribute directly to MSERS, there is no net pension liability to recognize for each employer.

Payments made by the Commonwealth of Massachusetts on behalf of the Collaborative amounted to \$234,966 in fiscal 2022, and are reflected as revenues and corresponding expenditures in the Collaborative's financial statements.

Actuarial assumptions. The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of January 1, 2021 rolled forward to June 30, 2021. This valuation used the following assumptions:

1. (a) 7.00% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3% cost of living increase on the first \$13,000 of allowance each year.
2. Salary increases are based on an analyses of past experience but range from 4% to 9% depending on group and length of service.
3. Mortality rates were as follows:
 - * Pre-retirement – reflects RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2020 and set forward 1 year for females.
 - * Post-retirement – reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2020 and set forward 1 year for females.
 - * Disability –the mortality rate reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2020 and set forward 1 year.
4. Experience studies were performed as follows:
 - * Dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2020 for post-retirement mortality.

Investment assets of the MSERS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2019 are summarized in the following table:

THE EDUCATION COOPERATIVE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------------------|--------------------------|---|
| Global Equity | 39.0% | 4.8% |
| Core Fixed Income | 15.0% | 0.3% |
| Private Equity | 13.0% | 7.8% |
| Real Estate | 11.0% | 2.9% |
| Value Added Fixed Income | 10.0% | 3.7% |
| Portfolio Completion Strategies | 8.0% | 3.9% |
| Timber/Natural Resources | 4.0% | 4.3% |
| Total | 100.0% | |

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity analysis. The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MSERS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate:

| <u>Fiscal Year Ended</u> | <u>1% Decrease to 6.00%</u> | <u>Current Discount Rate 7.00%</u> | <u>1% Increase to 8.00%</u> |
|--------------------------|-----------------------------|------------------------------------|-----------------------------|
| June 30, 2021 | \$15,974,650,000 | \$10,436,529,000 | \$ 5,884,626,000 |

Massachusetts Teachers' Retirement System, a Noncontributing Employer Plan

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report.

THE EDUCATION COOPERATIVE
 NOTES TO BASIC FINANCIAL STATEMENTS
 (Continued)

Management of MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members-two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

Benefits provided. MTRS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Member contributions for MTRS vary depending on the most recent date of membership:

| <u>Hire Date</u> | <u>% of Compensation</u> |
|--------------------------|--|
| Prior to 1975..... | 5% of regular compensation |
| 1975 – 1983..... | 7% of regular compensation |
| 1984 to 6/30/1996..... | 8% of regular compensation |
| 7/1/1996 to present..... | 9% of regular compensation |
| 7/1/2001 to present..... | 11% of regular compensation for teachers hired after 7/1/01 |
| 1979 to present..... | An additional 2% of regular compensation in excess of \$30,000 |

Special funding situation. The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, these employers are 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 contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

Payments made by the Commonwealth of Massachusetts on behalf of the Collaborative amounted to \$641,358 in fiscal 2022 and are reflected as revenues and corresponding expenditures in the Collaborative's financial statements.

THE EDUCATION COOPERATIVE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Actuarial assumptions. The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of January 1, 2021 rolled forward to June 30, 2021. This valuation used the following assumptions:

1. (a) 7.00% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3% cost of living increase on the first \$13,000 per year.
2. Salary increases are based on analysis of past experience but range from 4.0% to 7.5% depending on length of service.
3. Mortality rates were as follows:
 - * Pre-retirement – reflects Pub-2010 Teachers Employees Mortality Table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
 - * Post-retirement – reflects Pub-2010 Teachers Retirees Employees Mortality Table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
 - * Disability – assumed to be in accordance with the Pub-2010 Teachers Retirees Mortality Table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
4. Experience study was performed as follows:
 - * Dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality from 2012 to 2020 for post-retirement mortality.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2021 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------------------|------------------------------|---|
| Global Equity | 39.0% | 4.8% |
| Core Fixed Income | 15.0% | 0.3% |
| Private Equity | 13.0% | 7.8% |
| Real Estate | 10.0% | 3.7% |
| Value Added Fixed Income | 8.0% | 3.9% |
| Portfolio Completion Strategies | 11.0% | 2.9% |
| Timber/Natural Resources | <u>4.0%</u> | 4.3% |
| Total | 100.0% | |
| | ===== | |

THE EDUCATION COOPERATIVE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity analysis. The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate:

| <u>Fiscal Year</u> <u>Ended</u> | <u>1% Decrease</u> <u>to 6.00%</u> | <u>Current Discount</u> <u>Rate 7.00%</u> | <u>1% Increase</u> <u>to 8.00%</u> |
|------------------------------------|---------------------------------------|--|---------------------------------------|
| June 30, 2021 | \$29,687,706,000 | \$22,706,876,000 | \$16,882,184,000 |

Annual Pension Cost

For 2022, the Collaborative's annual pension cost of \$993,617 was equal to the Collaborative's required and actual contributions of \$117,293 and the Commonwealth's on-behalf contribution of \$876,324

5 – LONG-TERM OBLIGATIONS

The Cooperative had a Paycheck Protection Program loan, administered through the U.S. Small Business Administration related to the COVID-19 pandemic, in the amount of \$953,804. This loan was disbursed through Bank of America. During fiscal 2021, \$898,399 was forgiven by the SBA, leaving a note payable in the amount of \$55,405. This loan was paid in full during fiscal 2022.

THE EDUCATION COOPERATIVE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

The Cooperative leases classroom and office space at several different locations under long-term agreements that expire at various dates through 2024 with extension options, as well as leases for space under short-term arrangements. Rent expense under these leases amounted to \$912,373.

The Cooperative also leases various equipment. Rent expense under these operating leases amounted to \$2,928 for the year ended June 30, 2022.

Transactions for the year ended June 30, 2022 are summarized as follows:

| | <u>Balance July 1</u> | <u>Issues or Additions</u> | <u>Payments or Expenditures</u> | <u>Balance June 30</u> | <u>Due Within One Year</u> |
|--|---------------------------|--------------------------------|-------------------------------------|----------------------------|--------------------------------|
| <u>Governmental Type Activities</u> | | | | | |
| Building lease | \$8,622,374 | \$ - | \$ 406,871 | \$8,215,503 | \$385,675 |
| Equipment leases | 33,581 | 33,645 | 22,193 | 45,033 | 19,406 |
| Note payable | <u>46,842</u> | <u>-</u> | <u>46,842</u> | <u>-</u> | <u>-</u> |
| Total governmental activities | \$ 8,702,797 | \$ 33,645 | \$ 475,906 | \$ 8,260,536 | \$ 405,081 |
| | ===== | ===== | ===== | ===== | ===== |

The annual aggregate maturities for all future lease payments for the years subsequent to June 30, 2022 are as follows:

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|------------------|-----------------|------------------|
| 2023 | \$ 405,081 | \$ 523,451 | \$ 928,532 |
| 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 - 2032 | 3,524,709 | 1,393,675 | 4,918,384 |
| 2033 - 2035 | <u>2,379,328</u> | <u>211,776</u> | <u>2,591,104</u> |
| Total | \$8,260,536 | \$3,940,287 | \$12,200,823 |
| | ===== | ===== | ===== |

6 - LINE OF CREDIT

The Cooperative has a line of credit with a bank in the amount of \$500,000 through February 4, 2023. The line is secured by all personal property of the Cooperative and bears interest at the bank's prime rate plus 1.00%. There was no amount outstanding at June 30, 2022.

THE EDUCATION COOPERATIVE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|-------------------------|------------------|---------------------------|
| Governmental Activities: | | | | |
| Capital assets, being depreciated/amortized | | | | |
| Equipment | \$ 1,114,832 | \$ 121,023 | \$ - | \$ 1,235,855 |
| Leased equipment | 33,581 | 33,645 | - | 67,226 |
| Leased building | 8,622,374 | - | - | 8,622,374 |
| Leasehold Improvements | <u>59,050</u> | <u>-</u> | <u>-</u> | <u>59,050</u> |
| Total capital assets, being depreciated/amortized | <u>9,829,837</u> | <u>154,668</u> | <u>-</u> | <u>9,984,505</u> |
| Less accumulated depreciation for: | | | | |
| Equipment | 901,115 | 126,667 | - | 1,027,782 |
| Leasehold Improvements | 59,050 | - | - | 59,050 |
| Less: accumulated amortization for: | | | | |
| Leased equipment | - | 26,314 | - | 26,314 |
| Leased building | <u>-</u> | <u>634,776</u> | <u>-</u> | <u>634,776</u> |
| Total depreciation/amortization | <u>960,165</u> | <u>787,757</u> | <u>-</u> | <u>1,747,922</u> |
| Net capital assets, being depreciated and amortized | <u>8,869,672</u> | <u>(633,089)</u> | <u>-</u> | <u>8,236,583</u> |
| Governmental activities capital assets net of accumulated depreciation and amortization | <u>\$ 8,869,672</u> | <u>\$ (633,089)</u> | <u>\$ -</u> | <u>\$ 8,236,583</u> |

Depreciation expense is not allocated to programs of the primary government but is shown as a separate line item in the statement of activities.

8 - COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustments by the grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the Cooperative. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Cooperative expects such amounts, if any, to be immaterial.

Paycheck Protection Program loans, administered through the U.S. Small Business Administration (SBA), that are forgiven are subject to audit by the SBA for up to six years after forgiveness. The amount, if any, of expenditures which may be disallowed by the SBA cannot be determined at this time although the Cooperative does not expect any.

THE EDUCATION COOPERATIVE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

9 - SUB-LEASE

The Cooperative sub-leases a portion of its leased building in East Walpole, Massachusetts under a long-term lease agreement expiring in 2024. Rental income for the year ended June 30, 2022 amounted to \$400,884.

Transactions for the year ended June 30, 2022 are summarized as follows:

| | <u>Balance</u> <u>July 1</u> | <u>Issues or</u> <u>Additions</u> | <u>Receipts or</u> <u>Revenues</u> | <u>Balance</u> <u>June 30</u> | <u>Due Within</u> <u>One Year</u> |
|-------------------------------------|---------------------------------|--------------------------------------|---------------------------------------|----------------------------------|--------------------------------------|
| <u>Governmental Type Activities</u> | | | | | |
| Building sub-lease | \$2,010,303 | \$ - | \$ 289,397 | \$1,720,906 | \$ 296,880 |
| | ===== | ===== | ===== | ===== | ===== |

The annual aggregate maturities for all future lease receipts for the years subsequent to June 30, 2022 are as follows:

| <u>Year Ending</u> <u>June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------------|------------------|-----------------|----------------|
| 2023 | \$ 296,880 | \$ 103,021 | \$ 399,901 |
| 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 - 2029 | <u>341,843</u> | <u>13,119</u> | <u>354,962</u> |
| Total | \$1,720,906 | \$ 358,122 | \$2,079,028 |
| | ===== | ===== | ===== |

10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description - The Cooperative provides health insurance coverage for its retirees and their survivors (hereinafter referred to as the "Plan") as a single-employer defined benefits Other Post Employment Benefit (OPEB) plan. Chapter 32B of the Massachusetts General Laws (MGL) assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The number of participants as of July 1, 2021, the latest actuarial valuation, is as follows:

| | |
|--|-----------|
| Active employees..... | 98 |
| Retired employees and beneficiaries..... | <u>17</u> |
| Total | 115 |
| | == |

THE EDUCATION COOPERATIVE

**NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)**

Funding Policy – The contribution requirements of the Plan and the Cooperative is established by the Board of Directors. The current required health insurance contribution rates of active Plan members and the Cooperative are 40% and 60%, respectively and 50/50 for retirees.

Components of the OPEB Liability - The net OPEB liability for the Plan was measured as of June 30, 2022, and the total OPEB liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of July 1, 2021. The components of the Net OPEB Liability of the Plan as of June 30, 2022, were as follows:

| | |
|-----------------------------|---------------------------|
| Total OPEB Liability | \$ 4,555,437 |
| Plan Fiduciary Net Position | <u>(507,915)</u> |
| Net OPEB Liability | \$ 4,047,522 ===== |

Significant Actuarial Methods and Assumptions – Actuarial assumptions are estimates as to the occurrence of future events impacting the costs of the plan such as mortality rates, withdrawal rates, medical trend rates, retirement ages, rates of investment earnings, etc. The assumptions have been chosen to anticipate the long-term experience of the plan and are in accordance with GASB Statement No. 74, as follows:

| | |
|---|---|
| Valuation date..... | July 1, 2021 for purposes of determining the OPEB expense and June 30, 2022 for purposes of Net OPEB Liability. |
| Actuarial cost method..... | Entry Age Actuarial Cost Method. |
| Asset valuation method..... | Fair market value as of the measurement date. |
| Discount rate..... | 3.73%. |
| Long-term rate of return on assets..... | 6.09%. |
| Salary scale..... | 3.00%. |
| Healthcare cost trend rate..... | 6.0% per year graded down by the Getzen Model to an ultimate rate of 3.94% per year. |
| Pre-retirement mortality..... | Pub. T.H-2010 Mortality Table with generational MP-2021 improvement Scale. |
| Post-retirement mortality..... | Pub. T.H-2010 Mortality Table with generational MP-2021 improvement Scale. |
| Disabled mortality..... | Pub. T.H-2010 Mortality Table with generational MP-2021 improvement Scale. |

Investment Policy - The Collaborative invests its OPEB Trust Fund money with Bartholomew & Co., invested in accordance with its formal investment policy.

THE EDUCATION COOPERATIVE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------|--------------------------|---|
| Domestic Equity | 31.00% | 7.34% |
| International Equity | 20.00% | 8.10% |
| Domestic Bond | 26.00% | 3.62% |
| International Bond | 6.00% | 3.26% |
| Alternatives..... | 17.00% | 6.21% |
| Cash and Equivelants..... | <u>0.00%</u> | 0.00% |
| Total Target Allocation | 100.00% | |
| | ===== | |

The money-weighted rate of return for the fiscal year ended June 30, 2022 was (13.45)%, which is less than the discount rate used of 3.73% and less than the projected long-term rate of return on assets of 6.09%.

Discount Rate - The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following:

- a). The actuarial present value of benefit payments projected to be made in future periods in which (1) the amount of the OPEB plan's fiduciary net position is projected (under the requirements of this Statement to be greater than the benefit payments that are projected to be made in the 35 period and (2) OPEB plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on OPEB plan investments.
- b). The actuarial present value of projected benefit payments not included in (a), calculated using a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

Sensitivity of the Net OPEB Liability to changes in the discount rate - The following table presents the Net OPEB Liability, calculated using the discount rate of 3.73%, as well as what the Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.73%) or 1-percentage point higher (4.73%) than the current rate:

| | <u>1% Decrease</u> <u>2.73%</u> | <u>Current</u> <u>Discount Rate</u> <u>3.73%</u> | <u>1% Increase</u> <u>4.73%</u> |
|-------------------------|------------------------------------|--|------------------------------------|
| Net OPEB Liability..... | \$ 4,930,628 | \$ 4,047,522 | \$ 3,355,904 |

THE EDUCATION COOPERATIVE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Sensitivity of the Net OPEB Liability to changes in the healthcare trend - The following table presents the Net OPEB Liability, calculated using the current healthcare trend rate of 3.94%, as well as what the Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.94%) or 1-percentage point higher (4.94%) than the current rate:

| | 1% Decrease <u>2.94%</u> | Current Discount Rate <u>3.94%</u> | 1% Increase <u>4.94%</u> |
|-------------------------|-----------------------------|--|-----------------------------|
| Net OPEB Liability..... | \$ 3,243,630 | \$ 4,047,522 | \$ 5,113,500 |

OPEB Expense and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to the Plan - For the year ended June 30, 2022, the Collaborative recognized OPEB expense of \$604,139. At June 30, 2022, the Collaborative reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred (Inflows) of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ (2,746,698) |
| Changes in assumptions | 1,640,910 | (2,196,628) |
| Difference between projected and actual earnings on Plan investments | <u>77,129</u> | <u>(37,891)</u> |
| Total Deferred Outflows/ (Inflows) | <u>\$ 1,718,039</u> | <u>\$ (4,981,217)</u> |

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

| | | |
|-----------------------------|------------|-----------------------|
| Fiscal Year Ending June 30: | 2023 | \$ (308,963) |
| | 2024 | (308,048) |
| | 2025 | (309,655) |
| | 2026 | (297,332) |
| | 2027 | (315,809) |
| | Thereafter | <u>(1,723,371)</u> |
| Total | | <u>\$ (3,263,178)</u> |

THE EDUCATION COOPERATIVE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - RISK FINANCING

The Cooperative is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; workers compensation claims; errors and omissions; and natural disasters for which the Cooperative carries commercial insurance.

12 - EVALUATION OF SUBSEQUENT EVENTS

The Cooperative has evaluated subsequent events through October 3, 2022, the date which the financial statements were available to be released.

13 - FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Collaborative is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

| <u>Fund Balances</u> | <u>General</u> | Nonmajor <u>Governmental Funds</u> | <u>Total</u> |
|------------------------|--------------------|---|---------------------|
| <u>Nonspendable:</u> | | | |
| Prepaid expenses | \$ <u>192,296</u> | \$ <u>-</u> | \$ <u>192,296</u> |
| <u>Restricted For:</u> | | | |
| Grants | - | 3,929 | 3,929 |
| Contributions | <u>7,782</u> | <u>-</u> | <u>7,782</u> |
| Total Restricted | <u>7,782</u> | <u>3,929</u> | <u>11,711</u> |
| <u>Committed To:</u> | | | |
| Capital Reserve | 196,027 | - | 196,027 |
| Next Years Budget | <u>384,892</u> | <u>-</u> | <u>384,892</u> |
| Total Committed | <u>580,919</u> | <u>-</u> | <u>580,919</u> |
| <u>Assigned:</u> | | | |
| Playground | <u>-</u> | <u>13,754</u> | <u>13,754</u> |
| Total Assigned | <u>-</u> | <u>13,754</u> | <u>13,754</u> |
| <u>Unassigned:</u> | <u>2,825,738</u> | <u>-</u> | <u>2,825,738</u> |
| Total Fund Balances | <u>\$3,606,735</u> | <u>\$ 17,683</u> | <u>\$ 3,624,418</u> |

SUPPLEMENTARY INFORMATION

THE EDUCATION COOPERATIVE

DISCLOSURES REQUIRED BY CHAPTER 43 OF THE ACTS OF 2012
OF THE MASSACHUSETTS GENERAL LAWS

JUNE 30, 2022

1. Transactions between the Collaborative and any related for-profit or non-profit organization:
None

2. Transactions or contracts related to the purchase, sale, rental or lease of real property:

- Annual contracts for the lease of classroom space from member school districts at the following locations:

| | |
|----------|----------|
| Westwood | \$ 6,000 |
| Walpole | 30,000 |

- Annual contract for lease of office space at 141 Mansion Dr., E. Walpole, MA 876,373

- Total rent paid for real estate \$ 912,373
=====

3. The names, duties and total compensation of the 5 most highly compensated employees:

| | |
|--|------------|
| Liz McGonagle, Executive Director | \$ 197,773 |
| Sheila Thomas, Director of Phoenix Academy | 114,002 |
| Susan Donelan, Director of Student Services | 149,050 |
| Deb Caligaris, Director of TEC High School | 115,635 |
| Dan Shovak, Director of Finance and Operations | 126,542 |

4. The amounts expended on administration and overhead:

| | |
|----------------|---------------------|
| Administration | \$ 219,386 |
| Overhead | <u>617,047</u> |
| | \$ 836,433 ===== |

5. Any accounts held by the Collaborative that may be spent at the discretion of another person or entity: None

6. The amounts expended on services for individuals age 22 and older:
None

See accompanying auditor's report on supplementary information

THE EDUCATION COOPERATIVE
DISCLOSURES REQUIRED BY CHAPTER 43 OF THE ACTS OF 2012
OF THE MASSACHUSETTS GENERAL LAWS

JUNE 30, 2022

7. Cumulative Surplus:

| | | <u>Page #</u> |
|---|----------------------------|---------------|
| Cumulative Surplus as of June 30, 2021 | <u>\$ 2,042,994</u> | |
| <i>(Breakdown of use of 2021 surplus)</i> | | |
| Cumulative Surplus voted to support fiscal 2023 budget | (384,892) | 38 |
| Cumulative Surplus voted to support fiscal 2022 budget - Reversed | 873,690 | 14 |
| Amount of Cumulative Surplus transferred to capital reserve | <u>-</u> | |
| Board voted used of surplus funds during fiscal 2022 | <u>488,798</u> | |
| Unexpended Fiscal 2022 General Funds | <u>486,242</u> | 14 |
| | | |
| Cumulative Surplus as of June 30, 2022 | <u><u>\$ 3,018,034</u></u> | 10 |
| | | |
| Fiscal 2022 General Fund Expenditures | <u>\$ 8,767,127</u> | 14 |
| | | |
| Cumulative Surplus Percentage | <u><u>34.42%</u></u> | |

See accompanying auditor's report on supplementary information

THE EDUCATION COOPERATIVE

DISCLOSURES REQUIRED BY CHAPTER 43 OF THE ACTS OF 2012
OF THE MASSACHUSETTS GENERAL LAWS

JUNE 30, 2022

Cumulative Surplus Reduction:

(Allowable uses of surplus - in excess of the 25% limit)

Cumulative Surplus as of June 30, 2022

\$ 3,018,034

25% limit (allowed)

\$ 2,191,782

Cumulative Surplus Reductions

Credited to member districts for tuition, services, etc.

-

Deposited to an established trust and or reserve fund

-

Returned (check) to school district/towns

-

Total Reductions

-

See accompanying auditor's report on supplementary information

REQUIRED SUPPLEMENTARY INFORMATION

THE EDUCATION COOPERATIVE
 SCHEDULE OF THE COOPERATIVE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|----------------------|----------------------|----------------------|---------------------|---------------------|
| Employer's proportionate percentage of the net pension liability | 0.00000% | 0.00000% | 0.00000% | 0.00000% | 0.00000% |
| Employer's proportionate share of the net pension liability | \$ - | \$ - | \$ - | \$ - | \$ - |
| State's proportionate share of the net pension liability associated with the Cooperative | 10,036,102 | 9,159,370 | 8,960,099 | 8,382,500 | 6,808,328 |
| Total | <u>\$ 10,036,102</u> | <u>\$ 9,159,370</u> | <u>\$ 8,960,099</u> | <u>\$ 8,382,500</u> | <u>\$ 6,808,328</u> |
| Commonwealth's Pension Support Provided | <u>\$ 556,498</u> | <u>\$ 494,487</u> | <u>\$ 450,685</u> | <u>\$ 418,081</u> | <u>\$ 401,475</u> |
| | <u>2022</u> | <u>2021</u> | <u>2020</u> | | |
| Employer's proportionate percentage of the net pension liability | 0.00000% | 0.00000% | 0.00000% | | |
| Employer's proportionate share of the net pension liability | \$ - | \$ - | \$ - | | |
| State's proportionate share of the net pension liability associated with the Cooperative | 7,992,412 | 10,103,252 | 10,135,151 | | |
| Total | <u>\$ 7,992,412</u> | <u>\$ 10,103,252</u> | <u>\$ 10,135,151</u> | | |
| Commonwealth's Pension Support Provided | <u>\$ 641,358</u> | <u>\$ 549,827</u> | <u>\$ 580,321</u> | | |

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the information is presented for those years for which information is available.

See accompanying auditor's report on supplementary information

THE EDUCATION COOPERATIVE
SCHEDULE OF THE COOPERATIVE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Employer's proportionate percentage of the net pension liability | 0.00000% | 0.00000% | 0.00000% | 0.00000% | 0.00000% |
| Employer's proportionate share of the net pension liability | \$ - | \$ - | \$ - | \$ - | \$ - |
| State's proportionate share of the net pension liability associated with the Cooperative | 3,124,894 | 2,902,358 | 2,995,106 | 2,190,232 | 1,739,065 |
| Total | <u>\$ 3,124,894</u> | <u>\$ 2,902,358</u> | <u>\$ 2,995,106</u> | <u>\$ 2,190,232</u> | <u>\$ 1,739,065</u> |
| Proportionate Share of Plan Pension Expense | \$ 382,068 | \$ 361,788 | \$ 411,385 | \$ 247,252 | \$ 128,746 |
| Net Amortization of Deferred Amounts from Change in Proportion | 29,615 | 13,757 | 4,569 | (3,387) | (5,081) |
| Total Employer Pension Expense | <u>\$ 411,683</u> | <u>\$ 375,545</u> | <u>\$ 415,954</u> | <u>\$ 243,865</u> | <u>\$ 123,665</u> |
| | <u>2022</u> | <u>2021</u> | <u>2020</u> | | |
| Employer's proportionate percentage of the net pension liability | 0.00000% | 0.00000% | 0.00000% | | |
| Employer's proportionate share of the net pension liability | \$ - | \$ - | \$ - | | |
| State's proportionate share of the net pension liability associated with the Cooperative | 2,877,228 | 4,649,334 | 3,983,123 | | |
| Total | <u>\$ 2,877,228</u> | <u>\$ 4,649,334</u> | <u>\$ 3,983,123</u> | | |
| Proportionate Share of Plan Pension Expense | \$ 164,040 | \$ 654,516 | \$ 617,502 | | |
| Net Amortization of Deferred Amounts from Change in Proportion | 17,055 | 39,555 | 44,154 | | |
| Total Employer Pension Expense | <u>\$ 181,095</u> | <u>\$ 694,071</u> | <u>\$ 661,656</u> | | |

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THE EDUCATION COOPERATIVE
OTHER POSTEMPLOYMENT BENEFIT PLAN

SCHEDULE OF CHANGES IN THE COLLABORATIVES
NET OPEB LIABILITY AND RELATED RATIOS

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total OPEB Liability | | | | | |
| Service Cost | \$ 800,541 | \$ 718,211 | \$ 661,348 | \$ 540,173 | \$ 523,484 |
| Interest on unfunded liability | 137,335 | 142,547 | 173,050 | 143,623 | 163,219 |
| Changes in benefit terms | - | - | - | - | - |
| Difference between expected and actual experience | (1,160,494) | (36,910) | (1,284,090) | (35,849) | (1,057,550) |
| Changes in assumptions | (2,267,396) | 545,716 | 741,389 | 927,635 | (198,952) |
| Other changes | 45,164 | 50,589 | 42,725 | 37,866 | - |
| Benefit payments | (90,328) | (101,178) | (85,450) | (75,732) | (36,676) |
| Net change in Total OPEB Liability | (2,535,178) | 1,318,975 | 248,972 | 1,537,716 | (606,475) |
| Total OPEB Liability - beginning | 7,090,615 | 5,771,640 | 5,522,668 | 3,984,952 | 4,591,427 |
| Total OPEB Liability - ending (a) | \$ 4,555,437 | \$ 7,090,615 | \$ 5,771,640 | \$ 5,522,668 | \$ 3,984,952 |
| Plan Fiduciary Net Position | | | | | |
| Contributions - Employer | \$ 195,164 | \$ 60,589 | \$ 72,725 | \$ 143,040 | \$ 76,676 |
| Contributions - Employee | 45,164 | 50,589 | 42,725 | 37,866 | 36,676 |
| Net investment income | (67,275) | 81,876 | 9,729 | 15,219 | 6,466 |
| Benefit payments | (90,328) | (101,178) | (85,450) | (75,732) | (73,352) |
| Administrative expenses | - | - | - | - | - |
| Other changes | - | - | - | - | - |
| Net change in plan Fiduciary Net Position | 82,725 | 91,876 | 39,729 | 120,393 | 46,466 |
| Plan Fiduciary Net Position - beginning | 425,190 | 333,314 | 293,585 | 173,192 | 126,726 |
| Plan Fiduciary Net Position - ending (b) | \$ 507,915 | \$ 425,190 | \$ 333,314 | \$ 293,585 | \$ 173,192 |
| Net OPEB Liability - ending (a)-(b) | \$ 4,047,522 | \$ 6,665,425 | \$ 5,438,326 | \$ 5,229,083 | \$ 3,811,760 |
| Plan Fiduciary Net Position as a percentage of the Total OPEB Liability | 11.15% | 6.00% | 5.78% | 5.32% | 4.35% |
| Covered Employee Payroll | \$ 5,073,193 | \$ 5,576,000 | \$ 5,413,638 | \$ 5,316,000 | \$ 5,161,139 |
| Net OPEB Liability as a percentage of covered employee payroll | 79.78% | 119.54% | 100.46% | 98.36% | 73.86% |

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See accompanying auditor's report on required supplementary information

**THE EDUCATION COOPERATIVE
OTHER POSTEMPLOYMENT BENEFIT PLAN**

SCHEDULE OF THE COLLABORATIVE'S OPEB CONTRIBUTIONS

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|-------------------|-------------------|
| Actuarially determined contribution | \$ 977,695 | \$ 933,678 | \$ 751,075 | \$ 768,674 |
| Contributions in relation to the actuarially determined contribution | <u>(60,589)</u> | <u>(72,725)</u> | <u>(143,040)</u> | <u>(76,676)</u> |
| Contribution deficiency (excess) | <u>\$ 917,106</u> | <u>\$ 860,953</u> | <u>\$ 608,035</u> | <u>\$ 691,998</u> |
| Covered Employee Payroll | \$ 5,576,000 | \$ 5,413,638 | \$ 5,316,000 | \$ 5,161,139 |
| Contributions as a percentage of covered employee payroll | 1.09% | 1.34% | 2.69% | 1.49% |
| | <u>2022</u> | | | |
| Actuarially determined contribution | \$ 1,096,110 | | | |
| Contributions in relation to the actuarially determined contribution | <u>(195,164)</u> | | | |
| Contribution deficiency (excess) | <u>\$ 900,946</u> | | | |
| Covered Employee Payroll | \$ 5,073,193 | | | |
| Contributions as a percentage of covered employee payroll | 3.85% | | | |

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THE EDUCATION COOPERATIVE
OTHER POSTEMPLOYMENT BENEFIT PLAN

SCHEDULE OF THE COLLABORATIVE'S OPEB INVESTMENT RETURNS

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|-------------|-------------|-------------|-------------|-------------|
| Annual money-weighted rate of return, Net of investment expenses | (13.45)% | 24.20% | 3.15% | 6.74% | 4.41% |

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