



THE EDUCATION COOPERATIVE

MANAGEMENT LETTER

JUNE 30, 2024

To the Honorable Board of Directors
The Education Cooperative

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The Education Cooperative, (“TEC”), as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered TEC's internal control over financial reporting as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of TEC’s internal control. Accordingly, we do not express an opinion on the effectiveness of TEC’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions concerning those matters.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various TEC personnel and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management of TEC, and is not intended to be, and should not be, used by anyone other than these specified parties.

Marcum LLP

Boston, MA

December 20, 2024

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Comments and Recommendations

ESTABLISHING AN OPEB TRUST FIDUCIARY FUND ON THE GENERAL LEDGER

Comment

The Board has established an Other Postemployment Benefits (OPEB) Trust Fund under the provisions of Massachusetts General Law Chapter 32B, Section 20. TEC has funded the OPEB Trust Fund by transferring funds to an OPEB investment account, which is segregated from other TEC cash and investments.

However, the activity and the asset balance of the Trust Fund is not recorded on TEC's general ledger. Recording the Trust Fund on the general ledger, in a separate fund, allows for the tracking of all information related to the OPEB Trust fund independent of the operating fund and any other separately managed funds. This also ensures that the OPEB Trust is credited with the proper investment income and is accurately reported in TEC's financial statements.

For financial statement purposes the OPEB Trust has been properly reported as a fiduciary fund.

Recommendation

We recommend that TEC establish a separate OPEB Trust fund in TEC's general ledger to allow for the accounting and monitoring of contributions, investment income, and fiduciary net position for the OPEB Trust, within TEC's general ledger.

SEGREGATE FULL ACCRUAL BALANCES FROM TEC'S GENERAL FUND

Comment

TEC's general fund in the general ledger includes balances that are full accrual balances such as, capital assets, leases, and the other postemployment benefit liability. Commingling full accrual balances with general fund operating funds does not adhere to best practices for budgetary or modified accrual accounting and reporting. Capital assets are long-term investments, and lease and other post-employment benefit liabilities, are long-term obligations that should be segregated from current financial resources and current obligations. Reporting them within the general fund can obscure the understanding of available funds and operations.

The full accrual balances have been removed for the fund based financial statements and have been recorded only to the entity-wide full accrual financial statements as part of the financial statement audit.

Recommendation

We recommend that TEC either remove these balances from their general ledger entirely, and maintain them only in a completely separate system, or establish a separate “general capital assets” fund and a separate “general long-term obligations” fund within the general ledger and utilize that separate fund to track the activity and current balances of these financial statement elements.