

Financial Statements

LITTLE TENNESSEE VALLEY
EDUCATIONAL COOPERATIVE

Year Ended June 30, 2009

TABLE OF CONTENTS

	<u>Page Nos.</u>
INDEPENDENT ACCOUNTANTS' AUDIT REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-5
FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets	6
Statement of Activities	7
Fund Financial Statements:	
Balance Sheet-Governmental Funds	8
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Assets	9
Statement of Revenue, Expenditures and Changes in Fund Balances-Governmental Funds	10-11
Reconciliation of Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities	12
Notes to the Financial Statements	13-21
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress-Political Subdivision Pension Plan Supplementary Information	22
OTHER SUPPLEMENTARY INFORMATION	
Insurance Coverage	23
Expenditures of State Awards	24

TABLE OF CONTENTS
(continued)

Page Nos.

INTERNAL CONTROL AND COMPLIANCE

Independent Accountants' Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards

25-26

INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Directors
Little Tennessee Valley Educational Cooperative
Loudon, Tennessee

We have audited the accompanying financial statements of the governmental activities and each major fund of Little Tennessee Valley Educational Cooperative, as of and for the year ended June 30, 2009, which collectively comprise Little Tennessee Valley Educational Cooperative's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Little Tennessee Valley Educational Cooperative as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 to 5 and the required supplementary information on page 22 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Little Tennessee Valley Educational Cooperative's basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The other supplementary information as listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 23, 2009 on our consideration of Little Tennessee Valley Educational Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mitchell Emert & Hill

November 23, 2009



Little Tennessee Valley Educational Cooperative

1094 Mulberry Street
Loudon, TN 37774

Phone: (865) 458-8900
Fax: (865) 458-8626
email: littletnvalley@bellsouth.net
web: www.ltvec.org

Management's Discussion and Analysis June 30, 2009

This discussion and analysis of Little Tennessee Valley Educational Cooperative's financial performance provides an overall review of the Cooperative's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the Cooperative's financial performance as a whole. Readers should also review the complete financial statements, with notes, to enhance their understanding of the Cooperative's financial performance

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements consist of the statement of net assets, statement of revenues, expenses and changes in net assets, notes to the financial statements and supplementary information.

The financial statements of the Cooperative report information of the Cooperative using accounting methods similar to those used by private companies.

The Statement of Net Assets presents information on all of the Cooperative's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are accounted for in this statement.

Financial Analysis of the Cooperative

Net assets and changes in net assets for 2009 has been summarized and compared with net assets for 2008 on the next page (see Summarized Financial Information on the next page).

Management's Discussion and Analysis
(continued)
June 30, 2009

Summarized Financial Information

	<u>2009</u>	<u>2008</u>
NET ASSETS		
Current assets	\$ 300,592	\$ 301,026
Capital assets	<u>7,661</u>	<u>7,813</u>
Total assets	<u>\$ 308,253</u>	<u>\$ 308,839</u>
Liabilities	\$ 16,168	\$ 15,349
Net assets:		
Invested in capital assets	7,661	7,813
Restricted	155,763	141,391
Unrestricted	<u>128,660</u>	<u>144,285</u>
	<u>292,084</u>	<u>293,489</u>
Total liabilities and net assets	<u>\$ 308,253</u>	<u>\$ 308,839</u>
CHANGES IN NET ASSETS		
Revenues	\$ 1,661,243	\$ 1,574,267
Expenses	<u>1,662,648</u>	<u>1,550,905</u>
Change in net assets	(1,405)	23,363
Beginning net assets	<u>293,489</u>	<u>270,127</u>
Ending net assets	<u>\$ 292,084</u>	<u>\$ 293,489</u>

Management's Discussion and Analysis
(continued)
June 30, 2009

Capital Assets

The Cooperative's investment in capital assets as of June 30, 2009 was \$7,661 (\$7,813 in 2008) net of accumulated depreciation.

	<u>2009</u>	<u>2008</u>
Furniture and equipment	54,419	51,254
Accumulated depreciation	<u>(46,757)</u>	<u>(43,441)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 7,661</u>	<u>\$ 7,813</u>

Contacting the Cooperative's Financial Management

The financial report is designed to provide our readers with a general view of the Cooperative's finances and to show the Cooperative's accountability for the money it receives. If you have any question or need additional information, contact Dr. Jerome Morton, Executive Director at the address on the letterhead.

Dr. Jerome Morton, Executive Director

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

STATEMENT OF NET ASSETS

June 30, 2009

ASSETS

Petty cash	\$	100
Cash in bank		134,039
Local Government Investment Pool		73,357
Accounts receivable		88,976
Prepaid expenses		4,120
Furniture and equipment, net of accumulated depreciation		<u>7,661</u>

TOTAL ASSETS \$ 308,253

LIABILITIES

Accounts payable	\$	16,168
------------------	----	--------

NET ASSETS

Unrestricted		128,660
Restricted		155,763
Invested in fixed assets		<u>7,661</u>

TOTAL NET ASSETS 292,084

TOTAL LIABILITIES AND NET ASSETS \$ 308,253

See the accompanying notes to the financial statements.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

	<u>Expenses</u>	<u>Program Revenue</u> Fees, Fines and Charges for Services	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes In Net Assets</u> Total
Governmental Activities:				
General government	\$ 978,221	\$ 960,521	\$ 0	\$ (17,700)
Assistive Technology	77,381	39,755	36,400	(1,226)
BEST	93,546	100,006	0	6,459
Internship Consortium	191,600	188,556	0	(3,044)
Early Intervention	<u>321,899</u>	<u>0</u>	<u>332,740</u>	<u>10,841</u>
	<u>\$ 1,662,648</u>	<u>\$ 1,288,838</u>	<u>\$ 369,140</u>	(4,670)
General Revenue:				
Investment earnings				<u>3,265</u>
				CHANGE IN NET ASSETS (1,405)
NET ASSETS AT THE BEGINNING OF THE YEAR				<u>293,489</u>
				NET ASSETS AT THE END OF THE YEAR <u>\$ 292,084</u>

See the accompanying notes to the financial statements.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2009

	<u>General Fund</u>	<u>Assistive Technology Fund</u>	<u>BEST Fund</u>
ASSETS			
Cash on hand	\$ 100	\$ 0	\$ 0
Cash in bank	33,018	0	8,192
Local Government Investment Pool	73,357	0	0
Accounts receivable	12,278	11,395	9,696
Due from other funds	12,130	0	0
Prepaid expenses	<u>1,450</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 132,332</u>	<u>\$ 11,395</u>	<u>\$ 17,888</u>
LIABILITIES			
Accounts payable	\$ 5,905	\$ 0	\$ 2,069
Due to General Fund	<u>0</u>	<u>9,182</u>	<u>0</u>
	5,905	9,182	2,069
FUND BALANCES			
Unrestricted:			
Undesignated	124,628	0	0
Designated for legal services	1,800	0	0
Restricted	<u>0</u>	<u>2,213</u>	<u>15,818</u>
TOTAL FUND BALANCES	<u>126,428</u>	<u>2,213</u>	<u>15,818</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 132,332</u>	<u>\$ 11,395</u>	<u>\$ 17,888</u>

See the accompanying notes to the financial statements.

Internship Consortium Fund	Early Intervention Fund Birth-To-Three Program			Totals
	Blount County	Loudon County	Monroe County	
\$ 0	\$ 0	\$ 0	\$ 0	\$ 100
34,571	41,263	16,995	0	134,039
0	0	0	0	73,357
364	28,031	13,606	13,606	88,976
0	0	0	0	12,130
<u>0</u>	<u>1,590</u>	<u>540</u>	<u>540</u>	<u>4,120</u>
<u>\$ 34,935</u>	<u>\$ 70,884</u>	<u>\$ 31,142</u>	<u>\$ 14,146</u>	<u>\$ 312,720</u>
\$ 1,296	\$ 6,841	\$ 57	\$ 0	\$ 16,168
<u>0</u>	<u>0</u>	<u>0</u>	<u>2,948</u>	<u>12,130</u>
1,296	6,841	57	2,948	28,298
0	0	0	0	124,628
0	0	0	0	1,800
<u>33,639</u>	<u>64,043</u>	<u>31,084</u>	<u>11,198</u>	<u>157,995</u>
<u>33,639</u>	<u>64,043</u>	<u>31,084</u>	<u>11,198</u>	<u>284,424</u>
<u>\$ 34,935</u>	<u>\$ 70,884</u>	<u>\$ 31,142</u>	<u>\$ 14,146</u>	<u>\$ 312,720</u>

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

June 30, 2009

Total Fund Balance-Governmental Funds	\$ 284,424
Capital assets used in governmental activities are reported in the statement of net assets; however, they are not current financial resources and therefore are not reported in the governmental funds balance sheet.	<u>7,661</u>
Net Assets of Governmental Activities	<u>\$ 292,084</u>

See the accompanying notes to the financial statements.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Year Ended June 30, 2009

	<u>General Fund</u>	<u>Assistive Technology Fund</u>	<u>BEST Fund</u>
REVENUE			
Grants and contributions:			
State of Tennessee	\$ 0	\$ 35,000	\$ 0
United Way	0	0	0
Local governments	0	0	0
Other contributions	0	1,400	0
Contract services	885,190	39,755	100,006
FICA reimbursement from State of Tennessee	47,740	0	0
Interest	3,265	0	0
Training	26,490	0	0
Other income	1,102	0	0
	<hr/>	<hr/>	<hr/>
TOTAL REVENUE	963,786	76,155	100,006
EXPENDITURES			
Salaries	689,280	59,543	4,586
Contract services	646	3,000	387
Employment taxes	51,867	4,341	274
Retirement	33,833	3,602	0
Travel	50,839	3,270	0
Training	14,018	0	0
Staff development	2,181	425	0
Supplies and postage	16,621	1,462	87,959
Printing and publications	1,894	0	160
Rent	16,410	0	0
Utilities	848	0	0
Telephone	9,086	0	0
Insurance:			
Employee health	60,553	723	0
Workers' compensation	2,797	0	0
Liability	8,185	0	0
Professional services	4,000	0	0

Internship Consortium Fund	Early Intervention Fund Birth-To-Three Program			Totals
	Blount County	Loudon County	Monroe County	
\$ 0	\$ 127,800	\$ 56,100	\$ 56,100	\$ 275,000
0	60,363	10,588	6,691	77,642
0	8,142	3,000	3,000	14,142
0	219	369	369	2,356
0	0	0	0	1,024,950
0	0	0	0	47,740
0	0	0	0	3,265
0	0	0	0	26,490
<u>188,556</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>189,658</u>
188,556	196,524	70,056	66,160	1,661,242
150,617	141,890	38,925	50,292	1,135,133
0	0	0	0	4,034
11,563	11,581	4,065	3,986	87,676
770	7,240	2,724	2,487	50,656
22,658	5,160	3,576	2,010	87,512
0	0	0	0	14,018
750	360	0	0	3,716
1,034	3,581	1,222	945	112,823
0	57	0	0	2,111
0	12,600	0	0	29,010
0	0	0	0	848
24	2,951	0	807	12,868
0	8,216	2,211	6,057	77,760
0	1,136	409	401	4,743
140	866	792	792	10,775
0	0	0	0	4,000

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

(continued)

Year Ended June 30, 2009

	<u>General Fund</u>	<u>Assistive Technology Fund</u>	<u>BEST Fund</u>
EXPENDITURES (continued)			
Board	4,634	110	0
Bank fees	1,128	0	0
Capital outlay	3,165	0	0
Dues and licenses	<u>8,311</u>	<u>222</u>	<u>180</u>
TOTAL EXPENDITURES	<u>980,294</u>	<u>76,698</u>	<u>93,546</u>
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENDITURES	(16,509)	(543)	6,459
FUND BALANCES AT THE BEGINNING OF THE YEAR	<u>142,940</u>	<u>2,756</u>	<u>9,359</u>
FUND BALANCES AT THE END OF THE YEAR	<u>\$ 126,428</u>	<u>\$ 2,213</u>	<u>\$ 15,818</u>

See the accompanying notes to the financial statements.

Internship Consortium Fund	Early Intervention Fund Birth-To-Three Program			Totals
	Blount County	Loudon County	Monroe County	
524	0	0	0	5,269
0	0	0	0	1,128
0	0	0	0	3,165
<u>3,520</u>	<u>1,399</u>	<u>810</u>	<u>810</u>	<u>15,251</u>
<u>191,600</u>	<u>197,035</u>	<u>54,735</u>	<u>68,586</u>	<u>1,662,496</u>
(3,044)	(511)	15,321	(2,427)	(1,253)
<u>36,679</u>	<u>64,555</u>	<u>15,763</u>	<u>13,625</u>	<u>285,675</u>
<u>\$ 33,639</u>	<u>\$ 64,043</u>	<u>\$ 31,084</u>	<u>\$ 11,198</u>	<u>\$ 284,424</u>

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

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

Year Ended June 30, 2009

Deficiency of Revenue Over Expenditures-Governmental Funds \$ (1,253)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation:

Acquisition of capital assets	3,165
Depreciation expense	<u>(3,317)</u>

Change in Net Assets of Governmental Activities \$ (1,405)

See the accompanying notes to the financial statements.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE A - DESCRIPTION OF ORGANIZATION

Little Tennessee Valley Educational Cooperative (the Cooperative) is a regional educational service agency which was organized in 1971, under the "Educational Cooperative Act," enacted by the General Assembly of the State of Tennessee, Chapter 511, Public Acts of 1970. The Cooperative was organized as an extension for several local school systems in order to combine their resources to provide services for special education programs such as the Birth-to-Three program for handicapped children, a child development program for language and behaviorally delayed older students, and an occupational and physical therapy program, as well as psychological services.

The Board of Directors consists of twelve (12) individuals who are appointed for two-year terms by each participating Board of Education and the respective County Commissions. There is no limit to the number of terms a person may serve as a member of the Board; however, they may serve only during their tenure as members of the local Boards of Education or County Commissions.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

The government-wide financial statements, the statement of net assets and the statement of activities report information on all non-fiduciary activities of the Cooperative. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes 1) charges to customers or members who purchase, use, or directly benefit from goods, services, or privileges provided a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other income not included among program revenue is reported instead as general revenue.

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Grants and similar items are recognized as revenue as soon as all eligible requirements imposed by the provider have been met.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2009

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Cooperative considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting.

The Cooperative reports the following major governmental funds:

The *general fund* is the Cooperative's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *assistive technology fund, buyers program evaluations student services technology trainings fund (BEST), internship consortium fund* and the *early intervention fund* are special revenue funds used to account for specific revenue sources that are legally restricted to expenditures for specified purposes.

Government Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting reporting purposes into the following three net asset groups:

Invested in capital assets

This net assets category includes capital assets, net of accumulated depreciation. Invested in capital assets at June 30, 2009 has been calculated as follows:

Capital assets	\$ 54,419
Accumulated depreciation	<u>(46,757)</u>
	<u>\$ 7,661</u>

Restricted

This category includes net assets whose use is subject to externally imposed stipulations that can be fulfilled by actions of the Cooperative pursuant to those stipulations or that expire by the passage of time. When both restricted and unrestricted resources are available for use, it is the Cooperative's policy to use restricted resources first, the unrestricted resources as they are needed.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2009

Unrestricted

This category includes net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities columns on the government-wide financial statements. Capital assets are defined by the Cooperative as assets with an initial cost of \$500 or more. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at estimated fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 10 years. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Depreciation expense for the year ended June 30, 2009 was \$3,317.

Compensated Absences

Cooperative employees are granted sick leave at a rate of one (1) day per month and may accumulate an unlimited number of days as provided for in the Tennessee Department of Education's Rules and Regulations. Employees are not paid for any unused sick leave upon retirement or other termination.

Vacation leave is granted at a rate of one and two-thirds ($1\frac{2}{3}$) days per month for full-time professional employees and one (1) day per month for full-time non-professional employees. There is no carry-over of accumulated vacation leave from year to year, except in the case of a temporary extension of time to take vacation approved by the Executive Director.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2009

NOTE C - CASH AND INVESTMENTS

Cash and investments are stated at cost which approximates market value. Carrying amounts at June 30, 2009, are as follows:

Cash on hand	\$ 100
Cash in bank	134,039
Local Government Investment Pool	<u>73,357</u>
Total	<u>\$ 207,496</u>

State of Tennessee law authorizes the Cooperative to invest in obligations of the United States or its agencies, non-convertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the state treasurer's local government investment pool.

The pool contains investments in certificates of deposit, U.S. Treasury securities and repurchase agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool. The Cooperative's policy dictates that collateral meet certain requirements, such as, be deposited in an institution which participates in the state collateral pool or be deposited in an escrow account in another institution for the benefit of the County and must be a minimum of 105% of the value of the deposits placed in the institution less the amount protected by federal deposit insurance.

The state collateral pool is administered by the State of Tennessee. Members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional agreement, public fund accounts covered by the pool are considered to be insured in accordance with GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*.

As of June 30, 2009, all of the Cooperative's cash and investments were fully insured through the Federal Deposit Insurance Corporation or the Tennessee Bank Collateral Pool.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2009

NOTE D - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2009 was as follows:

	<u>Furniture and Equipment</u>	<u>Accumulated Depreciation</u>
Balance at the beginning of the year	\$ 51,254	\$ 43,441
Additions	<u>3,165</u>	<u>3,317</u>
Balance at the end of the year	<u>\$ 54,419</u>	<u>\$ 46,757</u>

NOTE E - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2009 consisted of amounts due to the Cooperative from contractual agreements and grantors as follows:

Grants	\$ 66,338
Contracted services	<u>22,637</u>
	<u>\$ 88,976</u>

NOTE F - PENSION PLAN

Plan Description

Employees of the Cooperative are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2009

Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service.

Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Cooperative participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

Funding Policy

The Cooperative requires employees to contribute 5.0% of earnable compensation.

The Cooperative is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2009 was 2.53% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Cooperative is established and may be amended by the TCRS Board of Trustees.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2009

Annual Pension Cost

For the year ending June 30, 2009, the Cooperative's annual pension cost of \$1,567 to TCRS was equal to the Cooperative's required and actual contributions. The required contribution was determined as part of the July 1, 2007 actuarial valuation using the frozen initial liability actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected salary increases of 4.75% annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5% annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The Cooperative's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 8 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

<u>Plan Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/09	\$ 1,567	100%	\$ 0
6/30/08	0	100	0
6/30/07	0	100	0

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 113.39% funded. The actuarial accrued liability (AAL) for benefits was \$0.11 million, and the actuarial value of assets was \$0.12 million, resulting in an unfunded actuarial accrued liability (UAAL) of (\$0.01) million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.00 million, and the ratio of the UAAL to the covered payroll was (22.39)%.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2009

The annual required contributions (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

The Cooperative also contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries.

Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979 are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA).

State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.treasury.state.tn.us>.

Funding Policy

Most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for the Cooperative is established at an actuarially determined rate. The rate for the fiscal year ending June 30, 2009 was 6.42% of annual covered payroll. The employer contribution requirement for the Cooperative is established and may be amended by the TCRS Board of Trustees. The Cooperative's contributions to TCRS for the year ended June 30, 2009, 2008, and 2007 were \$49,102, \$41,659, and \$44,157, respectively, equal to the required contributions for the year.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2009

NOTE G - RISK MANAGEMENT

The Cooperative is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Cooperative participates in the Tennessee Municipal League Insurance Risk Pool and pays an annual premium to the pool for its workers' compensation, property and general liability insurance coverage. Settled claims resulting from those risks have not exceeded insurance coverage in any of the past three fiscal years. The pooling agreement allows the pool to make additional assessments or refund surplus revenues to the Cooperative. It is not possible to estimate the amount of such additional assessments or refunds

NOTE H - LEASE OBLIGATIONS

The Cooperative leases various properties for its operations as follows:

Administrative Office - Loudon, Tennessee; payable in the amount of \$1,450 per month for three years, with options to renew at a rate to be negotiated at time of renewal.

Birth-To-Three Office - Maryville, Tennessee; payable in the amount of \$1,050 per month, with options to renew in one-year terms at a rate to be negotiated at time of renewal.

NOTE I - INTERFUND RECEIVABLES AND PAYABLES

Amounts due from and due to other funds at June 30, 2009 are summarized as follows:

	<u>Due From</u>	<u>Due To</u>
Governmental Activities:		
Assistive Technology Fund	\$ 9,182	\$ 0
Monroe County Birth-To-Three	2,948	0
General Fund	<u>0</u>	<u>12,130</u>
	<u>\$ 12,130</u>	<u>\$ 12,130</u>

Interfund balances resulted from operating advances made from the General Fund prior to the collection of receivables by the other funds.

REQUIRED SUPPLEMENTARY INFORMATION

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

SCHEDULE OF FUNDING PROGRESS – POLITICAL SUBDIVISION
PENSION PLAN SUPPLEMENTARY INFORMATION

June 30, 2009

Actuarial valuation date	7/1/07
Actuarial value of plan assets	\$ 127,000
Actuarial accrued liability (AAL)	112,000
Unfunded AAL (UAAL)	15,000
Funded ratio	113.39%
Covered payroll	67,000
UAAL as a percentage of covered payroll	22.39%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method was a change made during the year and therefore only the most current year is presented.

See the accompanying independent accountants' audit report.

OTHER SUPPLEMENTARY INFORMATION

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

INSURANCE COVERAGE

June 30, 2009

<u>Description</u>	<u>Amount of Coverage</u>
Property insurance – fire and extended coverage on building and contents	\$ 125,000
Liability insurance:	
Comprehensive general	1,000,000
Automobile	1,000,000
Errors and omissions (\$1,000 deductible)	500,000
Employee Dishonesty	50,000
Worker's Compensation	
Employer liability - statutory	500,000

See the accompanying independent accountants' audit report.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

EXPENDITURES OF STATE AWARDS

Year Ended June 30, 2009

<u>Grant Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>
GR-07-17866 GR-09-24290	Assistive Technology	Tennessee Department of Education
Z-08-22700 Z-09-214803	Birth-To-Three Early Intervention Program	Tennessee Department of Education

See the accompanying independent accountants' audit report

<u>Receivable</u> <u>July 1, 2008</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Receivable</u> <u>June 30, 2009</u>
\$ 8,384	\$ 0	\$ 0	\$ 8,384
0	32,289	35,000	2,711
3,055	0	0	3,055
<u>0</u>	<u>187,812</u>	<u>240,000</u>	<u>52,188</u>
<u>\$ 11,439</u>	<u>\$ 220,101</u>	<u>\$ 275,000</u>	<u>\$ 66,338</u>

INTERNAL CONTROL

AND

COMPLIANCE

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Little Tennessee Valley Educational Cooperative
Loudon, Tennessee

We have audited the financial statements of the governmental activities and each major fund of Little Tennessee Valley Educational Cooperative as of and for the year ended June 30, 2009 and have issued our report thereon dated November 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Little Tennessee Valley Educational Cooperative's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Little Tennessee Valley Educational Cooperative's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Little Tennessee Valley Educational Cooperative's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, Little Tennessee Valley Educational Cooperative's Board of Directors, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Mitchell Emert & Hill

November 23, 2009