

Financial Statements

LITTLE TENNESSEE VALLEY
EDUCATIONAL COOPERATIVE

Year Ended June 30, 2014

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Directors
Little Tennessee Valley Educational Cooperative
Loudon, Tennessee

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise Little Tennessee Valley Educational Cooperative's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the preparation and fair presentation of the financial statements 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 internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Little Tennessee Valley Educational Cooperative as of June 30, 2014 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 to 6 and the schedule of funding progress-political subdivision pension plan supplementary information on page 24 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other information we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Little Tennessee Valley Educational Cooperative's financial statements. The accompanying information listed in the table of contents as other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of expenditures of state financial assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The schedule of board of directors has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014 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, 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* in considering Little Tennessee Valley Educational Cooperative's internal control over financial reporting and compliance.

Mitchell Emert & Hill

December 9, 2014



Little Tennessee Valley Educational Cooperative

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Management's Discussion and Analysis June 30, 2014

This discussion and analysis of Little Tennessee Valley Educational Cooperative's (the Cooperative) financial performance provides an overall review of the Cooperative's financial activities for the fiscal year ended June 30, 2014. 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 position, statement of activities, 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 position presents information on all of the Cooperative's assets and liabilities, with the difference between the two reported as net position. 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 net position changed during the most recent fiscal year. All of the current year's revenue and expenses are accounted for in this statement.

Financial Analysis of the Cooperative

Net position and changes in net position for the year the ended June 30, 2014 have been summarized and compared with net position for the year ended June 30, 2013 on the next page (see Summarized Financial Information on the next page).

Management's Discussion and Analysis
(continued)
June 30, 2014

Summarized Financial Information

NET POSITION	<u>2014</u>	<u>2013</u>
Current assets	\$ 228,165	\$ 234,588
Capital assets	<u>11,262</u>	<u>16,619</u>
Total assets	<u>\$ 239,427</u>	<u>\$ 251,207</u>
Liabilities	\$ 12,801	\$ 35,519
Net position:		
Net investment in capital assets	11,262	16,619
Restricted	105,028	102,853
Unrestricted	<u>110,335</u>	<u>96,216</u>
Total net position	<u>226,626</u>	<u>215,688</u>
Total liabilities and net position	<u>\$ 239,427</u>	<u>\$ 251,207</u>
 CHANGES IN NET POSITION		
Revenue	\$ 816,692	\$ 1,278,349
Expenses	<u>805,755</u>	<u>1,291,272</u>
Change in net position	10,938	(12,922)
Beginning net position	<u>215,688</u>	<u>228,609</u>
Ending net position	<u>\$ 226,626</u>	<u>\$ 215,688</u>

Management's Discussion and Analysis
(continued)
June 30, 2014

Capital Assets

The Cooperative's investment in capital assets as of June 30, 2014 was \$11,262 (\$16,619 as of June 30, 2013) net of accumulated depreciation.

	<u>2014</u>	<u>2013</u>
Furniture and equipment	80,657	80,657
Accumulated depreciation	<u>(69,395)</u>	<u>(64,039)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 11,262</u>	<u>\$ 16,619</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 questions or need additional information, contact Roger Jones, Executive Director at the address on the letterhead.

Roger Jones, Executive Director

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

STATEMENT OF NET POSITION

June 30, 2014

ASSETS

Cash on hand	\$ 100
Cash in bank	152,911
Local Government Investment Pool	3,962
Accounts receivable	69,436
Prepaid expenses	1,755
Furniture and equipment, net of accumulated depreciation	<u>11,262</u>

TOTAL ASSETS \$ 239,427

LIABILITIES

Accounts payable	\$ 12,801
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NET POSITION

Net investment in capital assets	11,262
Restricted - Early Intervention	105,028
Unrestricted	<u>110,335</u>

TOTAL NET POSITION 226,626

TOTAL LIABILITIES AND NET POSITION \$ 239,427

See the accompanying notes to the financial statements.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense)</u>
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Revenue and Changes In Net Position</u>
Governmental Activities:				
General government	\$ 303,654	\$ 239,435	\$ 63,212	\$ (1,007)
Assistive Technology	78,019	46,250	36,575	4,806
Internship Consortium	141,286	146,214	0	4,929
Early Intervention	<u>282,796</u>	<u>31,808</u>	<u>253,163</u>	<u>2,175</u>
	<u>\$ 805,755</u>	<u>\$ 463,707</u>	<u>\$ 352,950</u>	10,903
General Revenue:				
Investment earnings				<u>35</u>
				10,938
				CHANGE IN NET POSITION
				10,938
NET POSITION AT THE BEGINNING OF THE YEAR				<u>215,688</u>
				NET POSITION AT THE END OF THE YEAR
				<u>\$ 226,626</u>

See the accompanying notes to the financial statements.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2014

	<u>General Fund</u>	<u>Assistive Technology Fund</u>	<u>Internship Consortium Fund</u>
ASSETS			
Cash on hand	\$ 100	\$ 0	\$ 0
Cash in bank	76,328	6,491	7,512
Local Government Investment Pool	3,962	0	0
Accounts receivable	10,170	8,962	8,906
Prepaid expenses	<u>705</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 91,265</u>	<u>\$ 15,454</u>	<u>\$ 16,418</u>
LIABILITIES			
Accounts payable	\$ 12,801	\$ 0	\$ 0
FUND BALANCES			
Nonspendable	705	0	0
Restricted	0	0	0
Committed	0	15,454	16,418
Assigned	1,800	0	0
Unassigned	<u>75,959</u>	<u>0</u>	<u>0</u>
TOTAL FUND BALANCES	<u>78,464</u>	<u>15,454</u>	<u>16,418</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 91,265</u>	<u>\$ 15,454</u>	<u>\$ 16,418</u>

See the accompanying notes to the financial statements.

Early Intervention Fund
Birth-To-Three Program

<u>Blount County</u>	<u>Loudon County</u>	<u>Monroe County</u>	<u>Totals</u>
\$ 0	\$ 0	\$ 0	\$ 100
39,132	19,663	3,786	152,911
0	0	0	3,962
34,047	4,235	3,116	69,436
<u>1,050</u>	<u>0</u>	<u>0</u>	<u>1,755</u>
<u>\$ 74,229</u>	<u>\$ 23,898</u>	<u>\$ 6,901</u>	<u>\$ 228,165</u>
\$ 0	\$ 0	\$ 0	\$ 12,801
1,050	0	0	1,755
73,179	23,898	6,901	103,978
0	0	0	31,871
0	0	0	1,800
<u>0</u>	<u>0</u>	<u>0</u>	<u>75,959</u>
<u>74,229</u>	<u>23,898</u>	<u>6,901</u>	<u>215,364</u>
<u>\$ 74,229</u>	<u>\$ 23,898</u>	<u>\$ 6,901</u>	<u>\$ 228,165</u>

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

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

June 30, 2014

Total Fund Balance-Governmental Funds	\$ 215,364
Capital assets used in governmental activities are reported in the statement of net position; however, they are not current financial resources and therefore are not reported in the governmental funds balance sheet.	<u>11,262</u>
Net Position of Governmental Activities	<u><u>\$ 226,626</u></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, 2014

	General Fund	Assistive Technology Fund	Internship Consortium Fund
REVENUE			
Grants and contributions:			
State of Tennessee	\$ 62,730	\$ 35,000	\$ 0
United Way	0	0	0
Local governments	0	0	0
Other contributions	482	3,090	0
Contract services	236,947	44,735	146,214
Interest	35	0	0
Other income	2,488	0	0
TOTAL REVENUE	302,682	82,825	146,214
EXPENDITURES			
Salaries	203,420	58,213	117,710
Contract services	3,891	3,416	1,662
Employment taxes	16,037	4,377	8,606
Retirement	9,226	4,617	0
Travel	8,893	4,269	8,036
Training	750	0	1,708
Staff development	0	25	0
Supplies and postage	5,185	1,744	71
Printing and publications	1,593	0	0
Rent	7,230	0	0
Utilities	2,161	0	0
Telephone	2,426	202	0
Insurance:			
Employee health	14,750	839	46
Workers' compensation	1,200	0	0
Liability	8,340	0	175
Professional services	5,000	0	0

Early Intervention Fund
Birth-To-Three Program

Blount County	Loudon County	Monroe County	Totals
\$ 131,915	\$ 9,857	\$ 19,106	\$ 258,608
50,047	11,501	2,750	64,298
0	3,000	3,000	6,000
14,917	500	0	18,990
0	0	0	427,896
0	0	0	35
38,378	0	0	40,866
<hr/>	<hr/>	<hr/>	<hr/>
235,257	24,858	24,856	816,692
167,391	17,939	16,701	581,375
2,425	0	110	11,504
12,805	1,370	1,280	44,475
6,651	1,109	1,109	22,711
11,403	1,634	2,473	36,708
0	0	0	2,458
60	0	0	85
3,266	263	248	10,779
496	0	0	2,089
12,600	0	0	19,830
0	0	0	2,161
2,727	0	0	5,355
11,831	2,214	2,205	31,885
0	0	0	1,200
0	0	0	8,515
0	0	0	5,000

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

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

(continued)

Year Ended June 30, 2014

	<u>General Fund</u>	<u>Assistive Technology Fund</u>	<u>Internship Consortium Fund</u>
EXPENDITURES (continued)			
Board	4,193	0	347
Bank fees	1,543	0	0
Capital outlay	0	0	0
Dues and licenses	<u>2,459</u>	<u>317</u>	<u>2,924</u>
TOTAL EXPENDITURES	<u>298,298</u>	<u>78,019</u>	<u>141,285</u>
EXCESS OF REVENUE OVER EXPENDITURES	4,384	4,806	4,929
FUND BALANCES AT THE BEGINNING OF THE YEAR	<u>74,080</u>	<u>10,648</u>	<u>11,489</u>
FUND BALANCES AT THE END OF THE YEAR	<u>\$ 78,464</u>	<u>\$ 15,454</u>	<u>\$ 16,418</u>

See the accompanying notes to the financial statements.

Early Intervention Fund
Birth-To-Three Program

<u>Blount County</u>	<u>Loudon County</u>	<u>Monroe County</u>	<u>Totals</u>
0	0	0	4,540
180	0	0	1,723
0	0	0	0
<u>1,246</u>	<u>330</u>	<u>730</u>	<u>8,006</u>
<u>233,082</u>	<u>24,858</u>	<u>24,856</u>	<u>800,399</u>
2,175	0	0	16,294
<u>72,054</u>	<u>23,898</u>	<u>6,901</u>	<u>199,070</u>
<u>\$ 74,229</u>	<u>\$ 23,898</u>	<u>\$ 6,901</u>	<u>\$ 215,364</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, 2014

Excess of Revenue Over Expenditures-Governmental Funds	\$ 16,294
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:	
Depreciation expense	<u>(5,356)</u>
Change in Net Position of Governmental Activities	<u>\$ 10,938</u>

See the accompanying notes to the financial statements.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

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 fourteen (14) 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 of Directors; however, they may serve only during their tenure as members of the local Boards of Education or county commissioners.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

The government-wide financial statements, which consist of the statement of net position and the statement of activities report information on all nonfiduciary 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 revenue. 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 by 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, 2014

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 (BEST) fund*, *internship consortium fund* and the *early intervention fund* are special revenue funds used to account for specific revenue sources that are restricted or committed to expenditures for specified purposes.

Governmental 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 position groups:

Net investment in capital assets

This category includes capital assets, net of accumulated depreciation. Net investment in capital assets at June 30, 2014 has been calculated as follows:

Capital assets	\$ 80,657
Accumulated depreciation	<u>(69,395)</u>
	<u>\$ 11,262</u>

Restricted

This category includes net position 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, then the unrestricted resources as they are needed.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014

Unrestricted

This category includes net position that is not subject to externally imposed stipulations and that do not meet the definition of “restricted” or “ net investment in capital assets”. Unrestricted net position 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.

Fund Balances

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* establishes standards for fund balance classifications for state and local governments and requires that resources be classified for accounting reporting purposes into the following fund balances:

Nonspendable Fund Balance

Fund balances reported as nonspendable in the accompanying financial statements represent amounts for prepaid expenses or inventory.

Restricted Fund Balance

Fund balances reported as restricted in the accompanying financial statements represent amounts restricted to specific purposes by externally imposed restrictions or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance

Fund balances reported as committed in the accompanying financial statements represent amounts that can be used only for the specific purposes determined by a formal action of the Cooperative’s highest level of decision-making authority. The Board of Directors commits resources for specific purposes by passing resolutions.

Assigned Fund Balance

Fund balances reported as assigned in the accompanying financial statements represent amounts that are constrained by the Cooperative’s intent to be used for a specific purpose but are neither restricted nor committed. This intent is expressed by the Board of Directors through the budgetary process.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014

Unassigned Fund Balance

In accordance with generally accepted accounting principles, the general fund is the only fund at the Cooperative that reports amounts for unassigned fund balance. This classification represents fund balance that is not nonspendable and has not been committed to specific purposes within the general fund.

The Cooperative would typically use restricted resources first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

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, 2014 was \$5,356.

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, nonprofessional 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, 2014

NOTE C - CASH AND INVESTMENTS

Cash and investments are stated at cost, which approximates market value. Carrying amounts at June 30, 2014 were as follows:

Cash on hand	\$ 100
Cash in bank	152,911
Local Government Investment Pool	<u>3,962</u>
Total	<u>\$ 156,973</u>

State of Tennessee law authorizes the Cooperative to invest in obligations of the United States of America or its agencies, nonconvertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States of America 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 Tennessee Department of Treasury Local Government Investment Pool (the LGIP). The LGIP contains investments in certificate of deposits, 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.

All deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution that participates in the State of Tennessee Bank Collateral Pool. For deposits with financial institutions that do not participate in the State of Tennessee Bank Collateral Pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits.

As of June 30, 2014, all of the Cooperative's cash and investments were fully insured through the Federal Deposit Insurance Corporation.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014

NOTE D - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 was as follows:

	<u>Furniture and Equipment</u>	<u>Accumulated Depreciation</u>
Balance at July 1, 2013	\$ 80,657	\$ 64,039
Additions	<u>0</u>	<u>5,356</u>
Balance at June 30, 2014	<u>\$ 80,657</u>	<u>\$ 69,395</u>

NOTE E - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2014 consisted of amounts due to the Cooperative from contractual agreements and grantors as follows:

Grants	\$ 53,667
Contracted services	<u>15,769</u>
	<u>\$ 69,436</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, 2014

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.tn.gov/treasury/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, 2014 was 5.25% 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, 2014

Annual Pension Cost

For the year ended June 30, 2014, the Cooperative's annual pension cost of \$2,826 to TCRS was equal to the Cooperative's required and actual contributions. The required contribution was determined as part of the July 1, 2011 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 3.0% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5% 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 ten-year period. The Cooperative's unfunded actuarial accrued liability (UAAL) is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 7 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

<u>Plan Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/14	\$ 2,826	100%	\$ 0
6/30/13	2,860	100	\$ 0
6/30/12	3,172	100	0

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 95.35% funded. The actuarial accrued liability (AAL) for benefits was \$0.13 million, and the actuarial value of assets was \$0.12 million, resulting in a UAAL of \$0.01 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.05 million, and the ratio of the UAAL to the covered payroll was 10.65%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents 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, 2014

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
July 1, 2013	\$ 119,000	\$ 125,000	\$ 6,000	95.35%	\$ 55,000	10.65%
July 1, 2011	121,000	134,000	13,000	90.50	60,000	21.15
July 1, 2009	104,000	118,000	13,000	88.65	59,000	22.68

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 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 www.tn.gov/treasury/tcrs/Schools.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014

Funding Policy

Most teachers are required by state statute to contribute 5.0% of annual salary to the plan. The employer contribution rate for the Cooperative is established at an actuarially determined rate. The rate for the year ending June 30, 2014 was 8.88% 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 years ended June 30, 2014, 2013, and 2012 were \$19,885, \$51,059 and \$43,378, respectively, equal to the required contributions for these years.

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 Risk Management Pool (the 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 revenue 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 \$705 per month, with options to renew in one-year terms 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.

REQUIRED SUPPLEMENTARY INFORMATION

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

FUNDING PROGRESS – POLITICAL SUBDIVISION
PENSION PLAN SUPPLEMENTARY INFORMATION

June 30, 2014

	7/1/13	7/1/11	7/1/09
Actuarial valuation date			
Actuarial value of plan assets	\$ 119,000	\$ 121,000	\$ 104,000
Actuarial accrued liability (AAL)	125,000	134,000	118,000
Unfunded AAL (UAAL)	6,000	13,000	13,000
Funded ratio	95.35%	90.50%	88.65%
Covered payroll	55,000	60,000	59,000
UAAL as a percentage of covered payroll	10.65%	21.15%	22.68%

See the accompanying independent accountants' audit report.

OTHER SUPPLEMENTARY INFORMATION

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

BOARD OF DIRECTORS

June 30, 2014

Dr. Jeanne Barker	Director of Schools Lenoir City Schools	Chairman Board of Directors
Mr. Jason Vance	Superintendent Loudon County Schools	Vice Chair Board of Directors
Ms. Janie Dacus	School Board Member Sweetwater City Schools	Member Board of Directors
Mr. Harold Duff	County Commissioner Loudon County Schools	Member Board of Directors
Dr. Bob Lovingood	School Board Member Monroe County	Member Board of Directors
Mr. Bennie Moser	County Commissioner Monroe County	Member Board of Directors
Dr. Beth Litz	Superintendent Sweetwater City Schools	Member Board of Directors
Mr. Tim Blankenship	Superintendent Monroe County Schools	Member Board of Directors
Mr. Gary Ubben	School Board Member Loudon County Schools	Member Board of Directors
Dr. Brian Bell	Director of Schools Alcoa City Schools	Member Board of Directors

See the accompanying independent accountants' audit report.

LITTLE TENNESSEE VALLEY EDUCATION COOPERATIVE

EXPENDITURES OF STATE FINANCIAL ASSISTANCE

June 30, 2014

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>State Financial Assistance</u>			
Tennessee Department of Education	N/A	33136-00414	\$ 35,000
Tennessee Department of Mental Health and Mental Retardation	84.181A	33195-02514	171,850
Tennessee Department of Mental Health and Mental Retardation	N/A	N/A	1,758
Tennessee Department of Education Finance and Administration	N/A	N/A	<u>50,000</u>
Total State Awards			<u>\$ 258,608</u>

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance summarizes the expenditures of Little Tennessee Valley Education Cooperative under programs of state governments for the year ended June 30, 2014. The schedule is presented using the accrual basis of accounting.

See the accompanying independent accountants' audit report.

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, 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, 2014, and the related notes to the financial statements, which collectively comprise Little Tennessee Valley Educational Cooperative's basic financial statements, and have issued our report thereon dated December 9, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Little Tennessee Valley Educational Cooperative's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an 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. Accordingly, we do not express an opinion on the effectiveness of Little Tennessee Valley Educational Cooperative's internal control.

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

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

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Mitchell Emert & Hill".

December 9, 2014

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

There were no prior year findings reported.