

Financial Statements

LITTLE TENNESSEE VALLEY
EDUCATIONAL COOPERATIVE

Year Ended June 30, 2015

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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, 2015, 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.

Opinions

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, 2015 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.

Emphasis of Matter

As discussed in Note J to the financial statements, Little Tennessee Valley Educational Cooperative has restated its net position as of June 30, 2014 to implement Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

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 schedules of changes in net pension liability(asset) public employee retirement plan, pension contributions public employee retirement plan, proportionate share of the net pension asset teacher legacy pension plan, pension contributions teacher legacy pension plan, and pension contributions teacher retirement plan on pages 36 to 40 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 federal awards and 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 3, 2015 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.

A handwritten signature in black ink that reads "Mitchell Emert & Hill". The signature is written in a cursive, flowing style.

December 3, 2015



Little Tennessee Valley Educational Cooperative

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Management's Discussion and Analysis June 30, 2015

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, 2015. 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, 2015 have been summarized and compared with net position for the year ended June 30, 2014 on the next page (see Summarized Financial Information on the next page).

Management's Discussion and Analysis
(continued)
June 30, 2015

Summarized Financial Information

	<u>2015</u>	<u>2014</u>
ASSETS		
Current assets	\$ 260,488	\$ 228,165
Capital assets	<u>7,237</u>	<u>11,262</u>
TOTAL ASSETS	<u>267,725</u>	<u>239,427</u>
DEFERRED OUTFLOW OF RESOURCES		
Deferred outflow related to pension	<u>42,678</u>	<u>0</u>
	<u>\$ 310,403</u>	<u>\$ 239,427</u>
LIABILITIES		
Current liabilities	\$ 8,391	\$ 12,801
DEFERRED INFLOW OF RESOURCES		
Deferred inflow related to pensions	221,518	0
NET POSITION		
Investment in capital assets	7,237	11,262
Restricted	111,299	105,028
Unrestricted	<u>(38,042)</u>	<u>110,335</u>
TOTAL NET POSITION	<u>80,494</u>	<u>226,626</u>
	<u>\$ 310,403</u>	<u>\$ 239,427</u>
CHANGES IN NET POSITION		
Revenue	\$ 1,259,985	\$ 816,692
Expenses	<u>1,189,666</u>	<u>805,755</u>
INCREASE IN NET POSITION	70,319	10,938
NET POSITION AT THE BEGINNING OF THE YEAR		
	226,626	215,688
Prior period adjustment	<u>(216,451)</u>	<u>0</u>
NET POSITION AT THE END OF THE YEAR	<u>\$ 80,494</u>	<u>\$ 226,626</u>

Management's Discussion and Analysis
(continued)
June 30, 2015

Capital Assets

The Cooperative's investment in capital assets as of June 30, 2015 was \$7,237 (\$11,262 as of June 30, 2014) net of accumulated depreciation.

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 81,787	\$ 80,657
Accumulated depreciation	<u>(74,550)</u>	<u>(69,395)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 7,237</u>	<u>\$ 11,262</u>

Capital asset additions for the year ended June 30, 2015 were \$1,130.

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 Pam Potocik, Interim Executive Director at the address on the letterhead.

Pam Potocik, Interim Executive Director

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

STATEMENT OF NET POSITION

June 30, 2015

ASSETS

Cash on hand	\$ 100
Cash in bank	152,234
Local Government Investment Pool	3,966
Accounts receivable	85,451
Prepaid expenses	2,005
Net pension asset	16,732
Furniture and equipment, net of accumulated depreciation	<u>7,237</u>
	267,725

DEFERRED OUTFLOW OF RESOURCES

Deferred outflow related to pensions	<u>42,678</u>
	<u><u>\$ 310,403</u></u>

LIABILITIES

Accounts payable	\$ 8,390
------------------	----------

DEFERRED INFLOW OF RESOURCES

Deferred grant revenue	8,000
Deferred inflow related to pensions	<u>213,518</u>
	221,518

NET POSITION

Investment in capital assets	7,237
Restricted - Early Intervention	111,299
Unrestricted	<u>(38,041)</u>
	<u>80,495</u>
	<u><u>\$ 310,403</u></u>

See the accompanying notes to the financial statements.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

	<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 Position</u>
Governmental Activities:				
General government	\$ 548,708	\$ 498,106	\$ 80,215	\$ 29,613
Assistive Technology	78,886	84,456	3,290	8,860
Afterschool program	137,930	0	138,012	83
Internship Consortium	110,372	105,278	0	(5,094)
Early Intervention	313,770	26,471	301,920	14,621
	<u>\$ 1,189,666</u>	<u>\$ 714,311</u>	<u>\$ 523,437</u>	48,082
General Revenue:				
Investment earnings				15
Pension income				22,222
				<u>22,237</u>
				CHANGE IN NET POSITION
				70,319
NET POSITION AT THE BEGINNING OF THE YEAR, as restated				<u>10,175</u>
				NET POSITION AT THE END OF THE YEAR
				<u>\$ 80,494</u>

See the accompanying notes to the financial statements.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2015

	<u>General Fund</u>	<u>Assistive Technology Fund</u>	<u>Internship Consortium Fund</u>
ASSETS			
Cash on hand	\$ 100	\$ 0	\$ 0
Cash in bank	55,517	11,075	13,993
Local Government Investment Pool	3,966	0	0
Accounts receivable	5,275	8,750	0
Due from other funds	31,776	0	0
Prepaid expenses	<u>2,005</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 98,639</u>	<u>\$ 19,825</u>	<u>\$ 13,993</u>
LIABILITIES			
Accounts payable	\$ 5,722	\$ 0	\$ 2,669
Due to other funds	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL LIABILITIES	5,722	0	2,669
DEFERRED INFLOW OF RESOURCES			
Deferred grant revenue	8,000	0	0
FUND BALANCES			
Nonspendable	2,005	0	0
Restricted	0	0	0
Committed	0	19,825	11,324
Assigned	1,800	0	0
Unassigned	<u>81,112</u>	<u>0</u>	<u>0</u>
TOTAL FUND BALANCES	<u>84,917</u>	<u>19,825</u>	<u>11,324</u>
	<u>\$ 98,639</u>	<u>\$ 19,825</u>	<u>\$ 13,993</u>

See the accompanying notes to the financial statements.

Early Intervention Fund Birth-To-Three Program				
<u>Afterschool Program</u>	<u>Blount County</u>	<u>Loudon County</u>	<u>Monroe County</u>	<u>Totals</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 100
0	42,597	21,247	7,805	152,234
0	0	0	0	3,966
31,776	28,104	7,185	4,361	85,451
0	0	0	0	31,776
0	0	0	0	2,005
<u>\$ 31,776</u>	<u>\$ 70,701</u>	<u>\$ 28,432</u>	<u>\$ 12,166</u>	<u>\$ 275,532</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,391
31,776	0	0	0	31,776
31,776	0	0	0	40,167
0	0	0	0	8,000
0	0	0	0	2,005
0	70,701	28,432	12,166	111,299
0	0	0	0	31,149
0	0	0	0	1,800
0	0	0	0	81,112
0	70,701	28,432	12,166	227,365
<u>\$ 31,776</u>	<u>\$ 70,701</u>	<u>\$ 28,432</u>	<u>\$ 12,166</u>	<u>\$ 275,532</u>

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

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

June 30, 2015

Total Fund Balance - Governmental Funds	\$ 227,365
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.	7,237
Net pension assets and liabilities, and the related deferred outflows and deferred inflows, are reported in the statement of net position; however, they are not current financial resources; therefore, they are not reported in the governmental funds balance sheet.	
Net pension asset	16,732
Deferred outflow of resources	42,678
Deferred inflow of resources	<u>(213,518)</u>
Net Position of Governmental Activities	<u>\$ 80,494</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, 2015

	<u>General Fund</u>	<u>Assistive Technology Fund</u>	<u>Internship Consortium Fund</u>
REVENUE			
Grants and contributions:			
State of Tennessee	\$ 79,315	\$ 35,000	\$ 0
United Way	0	0	0
Local governments	0	0	0
Other contributions	900	6,516	0
Contract services	466,531	46,229	104,778
Interest	15	0	0
Other income	31,575	0	500
	<hr/>	<hr/>	<hr/>
TOTAL REVENUE	578,335	87,745	105,278
EXPENDITURES			
Salaries	381,131	64,230	93,622
Contract services	45,214	3,552	168
Employment taxes	29,562	4,837	5,845
Retirement	22,724	4,617	0
Travel	16,386	2,774	6,000
Training	0	0	1,719
Staff development	587	455	0
Supplies and postage	8,356	1,450	54
Printing and publications	1,663	0	0
Rent	7,230	0	0
Utilities	2,088	0	0
Telephone	2,840	330	0
Insurance:			
Employee health	26,821	985	0
Workers' compensation	2,404	0	0
Liability	7,286	0	60
Professional services	5,000	0	0

Early Intervention Fund
Birth-To-Three Program

Afterschool Program	Blount County	Loudon County	Monroe County	Totals
\$ 138,012	\$ 163,988	\$ 24,168	\$ 21,896	\$ 462,379
0	49,940	11,582	3,500	65,022
0	0	3,000	3,000	6,000
0	15,192	0	0	22,608
0	0	0	0	617,539
0	0	0	0	15
0	31,741	192	192	64,201
138,012	260,861	38,942	28,588	1,237,763
96,177	186,735	25,835	15,035	862,764
9,850	0	0	0	58,785
6,595	14,271	1,955	1,171	64,237
83	10,723	1,140	1,140	40,426
944	8,976	3,103	3,057	41,242
0	0	0	0	1,719
150	30	0	0	1,222
23,826	6,335	398	492	40,912
0	0	0	0	1,663
0	14,600	0	0	21,830
0	0	0	0	2,088
0	2,029	0	0	5,199
102	18,594	1,972	1,941	50,415
0	0	0	0	2,404
0	0	0	0	7,346
0	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, 2015

	<u>General Fund</u>	<u>Assistive Technology Fund</u>	<u>Internship Consortium Fund</u>
EXPENDITURES (continued)			
Board	3,360	0	0
Bank fees	5,178	0	0
Capital outlay	1,130	0	0
Dues and licenses	<u>2,921</u>	<u>143</u>	<u>2,905</u>
TOTAL EXPENDITURES	<u>571,883</u>	<u>83,375</u>	<u>110,371</u>
EXCESS(DEFICIENCY) OF REVENUE OVER EXPENDITURES	6,453	4,370	(5,094)
FUND BALANCES AT THE BEGINNING OF THE YEAR	<u>78,464</u>	<u>15,454</u>	<u>16,418</u>
FUND BALANCES AT THE END OF THE YEAR	<u><u>\$ 84,917</u></u>	<u><u>\$ 19,825</u></u>	<u><u>\$ 11,324</u></u>

See the accompanying notes to the financial statements.

Afterschool Program	Early Intervention Fund Birth-To-Three Program			Totals
	Blount County	Loudon County	Monroe County	
0	0	0	0	3,360
0	617	0	0	5,795
0	0	0	0	1,130
<u>285</u>	<u>1,479</u>	<u>6</u>	<u>486</u>	<u>8,225</u>
<u>138,012</u>	<u>264,390</u>	<u>34,409</u>	<u>23,323</u>	<u>1,225,762</u>
0	(3,528)	4,534	5,265	12,001
<u>0</u>	<u>74,229</u>	<u>23,898</u>	<u>6,901</u>	<u>215,364</u>
<u>\$ 0</u>	<u>\$ 70,701</u>	<u>\$ 28,432</u>	<u>\$ 12,166</u>	<u>\$ 227,365</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, 2015

Excess of Revenue Over Expenditures - Governmental Funds	\$ 12,001
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	1,130
Depreciation expense	(5,155)
Pension plan income and expense reported in the statement of activities does not result in current financial resources or require the use of current financial resources; therefore, they are not reported as income or expenditures in the statement of revenue, expenditures and changes in fund balances of governmental funds.	
	21,917
Retirement contributions made after the actuarial measurement date are an expenditure in the governmental funds, but increase deferred outflows for governmental activities	
	<u>40,427</u>
Change in Net Position of Governmental Activities	<u><u>\$ 70,319</u></u>

See the accompanying notes to the financial statements.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

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, 2015

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*, *internship consortium fund*, *afterschool program 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:

Investment in capital assets

This category includes capital assets, net of accumulated depreciation. Investment in capital assets at June 30, 2015 has been calculated as follows:

Capital assets	\$ 81,787
Accumulated depreciation	<u>(74,550)</u>
	<u>\$ 7,237</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, 2015

Unrestricted

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

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

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, 2015 was \$5,155.

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, 2015

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (in the government-wide statements,) information about the fiduciary net position of the Cooperative's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), the Teacher Legacy Pension Plan of the TCRS and the Teacher Retirement Plan of the TCRS and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan and the Teacher Legacy Pension Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the respective plan. Investments are reported at fair value.

The fund financial statements report retirement expense based on contributions made to the plans.

NOTE C - CASH AND INVESTMENTS

Cash and investments are stated at cost, which approximates market value. Carrying amounts at June 30, 2015 were as follows:

Cash on hand	\$ 100
Cash in bank	152,234
Local Government Investment Pool	<u>3,966</u>
Total	<u>\$ 156,300</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 (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.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

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, 2015, all of the Cooperative's cash and investments were fully insured through the Federal Deposit Insurance Corporation.

NOTE D - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 was as follows:

	<u>Furniture and Equipment</u>	<u>Accumulated Depreciation</u>
Balance at July 1, 2014	\$ 80,657	\$ 69,395
Additions	<u>1,130</u>	<u>5,155</u>
Balance at June 30, 2015	<u>\$ 81,787</u>	<u>\$ 74,550</u>

Depreciation expense is charged to the various governmental functions as follows:

General government	\$ 374
Assistive Technology	128
Early Intervention	<u>4,653</u>
	<u>\$ 5,155</u>

NOTE E - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2015 consisted of amounts due to the Cooperative from contractual agreements and grantors as follows:

Grants	\$ 85,201
Contracted services	<u>250</u>
	<u>\$ 85,451</u>

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

NOTE F - PENSION PLANS

Public Employee Retirement Plan

Plan Description

Employees of the Cooperative are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than ½%. A 1% COLA is granted if the CPI change is between ½% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Employees Covered by Benefit Terms

At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>2</u>
	<u>7</u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% of salary. The Cooperative makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for the Cooperative were \$1,651 based on the rate of 2.75% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Cooperative's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability(Asset)

The Cooperative's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment rate of return	7.5%, net of pension plan investment expenses, including inflation
Cost-of-Living adjustment	2.5%

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3%. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5% based on a blending of the three factors described above.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Discount rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the Cooperative will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive 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.

Changes in Net Pension Liability(Asset)

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability(Asset) <u>(a) – (b)</u>
Changes for the year ended June 30, 2014:			
Increase(decrease)			
Service cost	\$ 5,162	\$ 0	\$ 5,162
Interest	7,753	0	7,753
Differences between expected and actual experience	(1,047)	0	(1,047)
Contributions – employer	0	2,826	(2,826)
Contributions – employee	0	2,691	(2,691)
Net investment income	0	17,516	(17,516)
Benefit payments, including refunds of employee contributions	(4,322)	(4,322)	0
Administrative expense	<u> </u>	<u>(74)</u>	<u>74</u>
Net changes for the year ended June 30, 2014	7,546	18,637	(11,091)
Balances at June 30, 2013	<u>100,379</u>	<u>105,093</u>	<u>(4,714)</u>
Balances at June 30, 2014	<u>\$ 107,925</u>	<u>\$ 123,730</u>	<u>\$ (15,805)</u>

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Sensitivity of the net pension liability(asset) to changes in the discount rate

The following presents the net pension liability (asset) of the Cooperative calculated using the discount rate of 7.5%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability(asset)	\$ 949	\$ (15,805)	\$ (29,322)

Pension expense

For the year ended June 30, 2015, the Cooperative recognized in the government-wide statement of activities pension expense of \$306.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2015, the Cooperative reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 897
Net difference between projected and actual earnings on pension plan investments	0	7,674
Contributions subsequent to the measurement date of June 30, 2014	<u>1,651</u>	<u>not applicable</u>
Totals	<u>\$ 1,651</u>	<u>\$ 8,571</u>

The amount shown above for “contributions subsequent to the measurement date of June 30, 2014,” will be recognized as a reduction(increase) to net pension liability(asset) in the following measurement period.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u> <u>June 30,</u>	
2016	\$ (2,068)
2017	(2,068)
2018	(2,068)
2019	(2,068)
2020	(150)
Thereafter	(150)

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Teacher Legacy Pension Plan

Plan description

Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of the Cooperative are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than ½%. A 1% COLA is granted if the CPI change is between ½% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Employees Covered by Benefit Terms

At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>2</u>
	<u>7</u>

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% of salary. The LEAs makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if required employer contributions are not remitted. Employer contributions by the Cooperative for the year ended June 30, 2015 to the Teachers Legacy Pension Plan were \$36,576 which is 9.04% of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Asset

At June 30, 2014, the Cooperative reported in the government-wide statement of net position an asset of \$927 for its proportionate share of net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Cooperative's proportion of the net pension liability was based on the Cooperative's employer contributions to the pension plan during the year ended June 30, 2014 relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014 measurement date, the Cooperative's proportion was 0.005705%. The proportion measured as of June 30, 2013 was 0.000000%.

Pension income

For the year ended June 30, 2015, the Cooperative recognized in the statement of activities a pension income of \$22,222.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2015, the Cooperative reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,251	\$ 0
Net difference between projected and actual earnings on pension plan investments	0	76,385
Changes in proportion of Net Pension Liability(Asset)	0	128,562
Contributions subsequent to the measurement date of June 30, 2014	<u>37,576</u>	<u>not applicable</u>
Totals	<u>\$ 39,827</u>	<u>\$ 204,947</u>

The amount shown above for “contributions subsequent to the measurement date of June 30, 2014,” will be recognized as a reduction(increase) to net pension liability(asset) in the following measurement period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2016	\$ (40,148)
2017	(40,148)
2018	(40,148)
2019	(40,148)
2020	(21,052)
Thereafter	(21,052)

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Actuarial assumptions

The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment rate of return	7.5%, net of pension plan investment expenses, including inflation
Cost-of-Living adjustment	2.5%

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3%.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5% based on a blending of the three factors described above.

Discount rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the Cooperative will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive 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.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Sensitivity of the net pension liability(asset) to changes in the discount rate

The following presents the net pension liability (asset) of the Cooperative calculated using the discount rate of 7.5%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability(asset)	\$ 156,361	\$ (927)	\$ (131,145)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Teacher Retirement Plan

Plan description

Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of the Cooperative are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Teachers with membership in the TCRS after June 30, 2014 are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost-sharing, multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than ½%. A 1% COLA is granted if the CPI change is between ½% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% of salary. The LEAs makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4%, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if required employer contributions are not remitted. Employer contributions by the Cooperative for the year ended June 30, 2015 to the Teachers Retirement Plan were \$1,200 which is 4% of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension liabilities

Since the measurement date is June 30, 2014, which is prior to the July 1, 2014 inception of the Teacher Retirement Plan, there is not a net pension liability to report at June 30, 2015.

Pension expense

Since the measurement date is June 30, 2014, the Cooperative did not recognize a pension expense in the statement of activities at June 30, 2015.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2015, the Cooperative reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date of June 30, 2014	\$ <u>1,200</u>	<u>not applicable</u>

The amount shown above for “contributions subsequent to the measurement date of June 30, 2014,” will be recognized as a reduction(increase) to net pension liability(asset) in the following measurement period.

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 \$1,300 per month, with options to renew in one-year terms at a rate to be negotiated at time of renewal.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

NOTE I - INTERFUND BALANCES

Amounts due from and due to other funds at June 30, 2015, resulting from short-term advances for shared costs, were as follows:

	<u>Due From</u>	<u>Due To</u>
General fund	\$ 0	\$ 31,776
Afterschool program	<u>31,776</u>	<u>0</u>
	<u>\$ 31,776</u>	<u>\$ 31,776</u>

NOTE J - RESTATEMENT

During the year ended June 30, 2015, the Cooperative implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as an asset or liability and to more comprehensively and comparably measure the annual costs of pension benefits. Net position as of June 30, 2014 has been restated for the implementation of GASB Statement No. 68. As a result, the effect on the year ended June 30, 2014 was as follows:

Net position at June 30, 2014, as originally reported	\$ 226,626
Net pension liability, measurement date as as of June 30, 2014	(239,162)
Deferred outflows for contributions made during the year ended June 30, 2014	<u>22,711</u>
Net position at June 30, 2014, as restated	<u>\$ 10,175</u>

There was no effect on beginning fund balances related to the implementation of GASB Statement No. 68.

REQUIRED SUPPLEMENTARY INFORMATION

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

CHANGES IN NET PENSION LIABILITY(ASSET)
PUBLIC EMPLOYEE RETIREMENT PLAN

June 30, 2015

	Measurement Date at <u>June 30, 2014</u>
<u>Total pension liability</u>	
Service cost	\$ 5,162
Interest	7,753
Changes in benefit terms	-
Differences between actual and expected experience	(1,047)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(4,322)</u>
Net change in total pension liability	7,546
Total pension liability - beginning July 1, 2013	<u>100,379</u>
Total pension liability - ending June 30, 2014 (a)	<u><u>\$ 107,925</u></u>
 <u>Plan fiduciary net position</u>	
Contributions - employer	\$ 2,826
Contributions - employee	2,691
Net investment income	17,516
Benefit payments, including refunds of employee contributions	(4,322)
Administrative expense	<u>(74)</u>
Net change in plan fiduciary net position	18,637
Plan fiduciary net position - beginning July 1, 2013	<u>105,093</u>
Plan fiduciary net position - ending June 30, 2014 (b)	<u>123,730</u>
Net Pension Liability(Asset) - ending (a) - (b)	<u><u>\$ (15,805)</u></u>
 Plan fiduciary net position as a percentage of total net pension liability	114.64%
Covered - employee payroll	\$ 53,830
Net pension liability(asset) as a percentage of covered-employee payroll	29.36%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

See the accompanying independent accountants' audit report.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

PENSION CONTRIBUTIONS
PUBLIC EMPLOYEE RETIREMENT PLAN

June 30, 2015

	2015	2014
Actuarially determined contribution	\$ 1,651	\$ 2,826
Contributions in relation to the actuarially determined contribution	(1,651)	(2,826)
Contribution deficiency(excess)	\$ -	\$ -
Covered employee payroll	\$ 60,036	\$ 53,830
Contributions as a percentage of covered employee payroll	2.75%	5.25%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Notes to Schedule of Pension Contributions

Valuation date: Actuarially determined contribution rates for the year ended June 30, 2015 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determined contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	1 year
Asset valuation	10-year smoothed within a 20% corridor to market value
Inflation	3.00%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment Rate of Return	7.50%, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.50%

See the accompanying independent accountants' audit report.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

PROPORTIONATE SHARE OF THE NET PENSION ASSET
TEACHER LEGACY PENSION PLAN

June 30, 2015

	<u>Measurement Date at June 30, 2014</u>
Proportion of the net pension asset	0.005705%
Proportionate share of the net pension asset	\$ 927
Covered-employee payroll	223,930
Proportionate share of the net pension asset as a percentage of its covered-employee payroll	0.41%
Plan fiduciary net position as a percentage of the total pension liability	100.08%

Amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

See the accompanying independent accountants' audit report.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

PENSION CONTRIBUTIONS
TEACHER LEGACY PENSION PLAN

June 30, 2015

	2015	2014
Actuarially determined contribution	\$ 37,576	\$ 19,885
Contributions in relation to the actuarially determined contribution	(37,576)	(19,885)
Contribution deficiency(excess)	\$ -	\$ -
Covered employee payroll	\$ 415,658	\$ 223,930
Contributions as a percentage of covered employee payroll	9.04%	8.88%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

See the accompanying independent accountants' audit report.

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

PENSION CONTRIBUTIONS
TEACHER RETIREMENT PLAN

June 30, 2015

	<u>2015</u>
Actuarially determined contribution	\$ 750
Contributions in relation to the actuarially determined contribution	<u>(1,200)</u>
Contribution deficiency(excess)	<u>\$ (450)</u>
Covered employee payroll	\$ 30,000
Contributions as a percentage of covered employee payroll	4.00%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

See the accompanying independent accountants' audit report.

OTHER SUPPLEMENTARY INFORMATION

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

BOARD OF DIRECTORS

June 30, 2015

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 FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

June 30, 2015

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>Federal Awards</u>			
U.S. Department of Agriculture/ Tennessee Department of Health and Human Services	10.558	03-47-30137-00-9	\$ 690
U.S. Department of Education/ Tennessee Department of Mental Health and Mental Retardation	84.181A	33195-02514	<u>224,599</u>
Total Federal Awards			225,289

LITTLE TENNESSEE VALLEY EDUCATION COOPERATIVE

**EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

(continued)

June 30, 2015

<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 Education	N/A	33109-08115	150,000
Tennessee Department of Mental Health and Mental Retardation	N/A	N/A	2,090
Tennessee Department of Education Finance and Administration	N/A	N/A	<u>50,000</u>
Total State Financial Assistance			<u>237,090</u>
Total Federal Awards and State Financial Assistance			<u><u>\$ 462,379</u></u>

NOTE 1 - BASIS OF PRESENTATION

This schedule summarizes the expenditures of Little Tennessee Valley Education Cooperative under programs of federal and state governments for the year ended June 30, 2015. 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, 2015, 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 3, 2015.

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 black ink that reads "Mitchell Emert & Hill". The signature is written in a cursive, flowing style.

December 3, 2015

LITTLE TENNESSEE VALLEY EDUCATIONAL COOPERATIVE

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

There were no prior year findings reported.