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MEMBER AICPA

MEMBER KY SOCIETY
OF CPAS

October 14, 2015

Sandra Bradley, Accountant
Licking Valley Rural Electric Cooperative
West Liberty, Kentucky 41472

Dear Sandy:

Please find enclosed the actuarial valuation results as of October 31, 2015 for Financial Accounting Standards Boards' *Accounting Standards Codification (ASC) 715 - Compensation - Retirement Plans*.

Acct 215.00, Accum Other Comprehensive Income	\$ 44,652
Acct 228.30, Accum Postretirement Benefits	224,542
Total accrual for 2014 benefits	<u>\$ 269,194</u>

The accrual for 2016 includes current service and interest costs, amortization of the actuarial gains and losses.

Journal entry to adjust accumulated other comprehensive income at October 31, 2015.

Acct 228.30, Accum Postretirement Benefits	\$ 63,390	
Acct 215.10, Accum Other Comprehensive Income		\$ 63,390

If you have any questions or would like to discuss these results, please give me a call.

Sincerely,

Dudley Shryock

W. Dudley Shryock, CPA

Exhibit 2
Licking Valley Rural Electric Cooperative
SFAS No. 106/158 Financial Statement Disclosures
October 31, 2015

Benefit obligations at end of year

1.	Accumulated benefit obligation (APBO)	\$ 3,066,280
2.	Expected benefit obligation (EPBO)	5,125,112

Statement of funded status

1.	Accumulated benefit obligation (APBO)	(3,066,280)
2.	Fair value of plan assets	
3.	Funded status of plan	<u>\$ (3,066,280)</u>

Amounts recognized in the statement of financial position

1.	Noncurrent assets	
2.	Current liabilities	
3.	Noncurrent liabilities	<u>3,066,280</u>
4.	Funded status	\$ 3,066,280

Amounts recognized in accumulated other comprehensive income

1.	Net loss (gain)	\$ (893,038)
2.	Transition obligation	-
3.	Total	<u>\$ (893,038)</u>

**Other changes in plan assets and benefit obligations
recognized in other comprehensive income**

1.	Balance, beginning of year	<u>\$ (897,688)</u>
2.	Amortization of transition obligation	-
3.	Amortization of net loss (gain)	68,040
4.	Adjustment for current year net loss (gain)	<u>(63,390)</u>
5.	Change during the year	<u>4,650</u>
6.	Balance, end of year	\$ (893,038)

Exhibit 1
Licking Valley Rural Electric Cooperative
SFAS No. 106/158 Financial Statement Disclosures
October 31, 2015

Net Periodic Benefit Cost

1.	Service cost	\$	35,592
2.	Interest cost		151,368
3.	Expected return on plan assets		-
4.	Amortization of transition obligation		-
5.	Amortization gain / (loss)		68,040
6.	Net periodic benefit cost	\$	<u>255,000</u>

Change in Accumulated Benefit Obligation

1.	Accumulated benefit obligation, beginning	\$	3,027,358
2.	Service cost		35,592
3.	Interest cost		151,368
4.	Amortization		68,040
5.	Disbursements		(152,688)
6.	Actuarial (gain) loss		<u>(63,390)</u>
7.	Accumulated benefit obligation, ending	\$	3,066,280

Change in Fair Value of Plan Assets

1.	Fair value of plan assets, beginning		
2.	Actual return on plan assets		
3.	Employer contributions		
4.	Benefits paid		
5.	Administrative expenses		
6.	Fair value of plan assets, ending	\$	<u>-</u>

**Licking Valley Rural Electric
Medical Insurance Premiums
SFAS 106 Obligation as of October 31, 2015**

A. Accumulated Postretirement Benefit Obligations (APBO) are as follows:	
1. Actives not yet eligible	\$ 1,700,695
2. Actives fully eligible	378,079
3. Retirees and dependents	<u>987,506</u>
4. Total APBO	3,066,280
B. Future accruals	<u>2,058,832</u>
C. Total Expected Postretirement Benefit Obligations (EPBO)	<u><u>\$ 5,125,112</u></u>
D. Accrued Postretirement Benefit Cost	
1. Balance November 1, 2014	\$ 3,027,358
2. Accrual	255,000
3. Payout	<u>(152,688)</u>
4. Balance October 31, 2015	3,129,670
5. Accumulated comprehensive accounting	<u>(63,390)</u>
6. Adjusted balance October 31, 2015	3,066,280
5. Accrual	269,194
6. Estimated payout	<u>(157,768)</u>
7. Estimated balance October 31, 2016	<u><u>\$ 3,177,706</u></u>

**Licking Valley Rural Electric
Medical Insurance Premiums
SFAS 106 Obligation as of October 31, 2015**

FAS 106 Expense Components

1.	Service cost	\$	72,897
2.	Interest cost		151,645
3.	Expected return on assets		-
4.	Amortization of transition obligation		-
5.	Amortization of actuarial (gain) / loss		44,652
6.	Total FAS 106 expense	<u>\$</u>	<u>269,194</u>
7.	Expected pay-as-you-go expense	<u>\$</u>	<u>157,768</u>

Alternate assumptions:

Impact on obligations and expense of a health care cost trend increase of 1%

	<u>Current Plan</u>	<u>Alternate Assumptions</u>	<u>% Change</u>
APBO	3,066,280	3,340,000	8.9%
EPBO	5,125,112	5,585,000	9.0%
SFAS 106 Expense	269,194	290,000	7.7%

Estimated payments for the next five (5) years are as follows:

2016	157,768
2017	140,019
2018	108,842
2019	104,389
2020	98,648

Licking Valley Rural Electric Cooperative
 FAS 106/158 Assumptions
 Health Plan

Covered Groups – All eligible employees.

Eligibility – Normal retirement age of 62.

Spouse – Licking Valley pays family medical coverage for retirees and dependents.

Medicare – At age 65 retirees are required to obtain their own medical coverage, with Licking Valley reimbursing the retiree based on the contribution schedule.

Contributions – Licking Valley will pay a percentage of contribution for premiums based on years of service as listed below:

<u>Years of Service</u>	<u>Coop Portion</u>
25	100%
15 - 24	75%
5 - 14	50%
0 - 5	0%

Mortality - Used RP2000 Tables, updated through 2014, separately for males and females, projected with Scale AA.

Retirements and withdrawals – Estimate that employees will work until age 62 and be replaced in the normal course of business.

Terminations – Rates vary by attained age for employees. Sample rates are as follows:

<u>Age</u>	<u>Rate</u>	<u>No. of Employees</u>
20	15%	5
30	7%	9
40	3%	17
50	1%	10
60	0%	3
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Licking Valley Rural Electric Cooperative
FAS 106/158 Assumptions
Health Plan

Dependents and future retirees – Presently 70% of retirees have dependent coverage.

Discount rate – 5.0% per year.

Medical inflation rate – 8.5% per year decreasing by 0.5% until level at 5.0%.

Eligibility classes – Based on employees, retirees, and those on disability, are the following:

	<u>Employees</u>
Actives not fully eligible	33
Actives fully eligible	11
Retirees and disability	<u>19</u>
Total	<u><u>63</u></u>