

**LAND OF SKY REGIONAL COUNCIL**

**FINANCIAL STATEMENTS AND  
COMPLIANCE REPORT**

For the Year Ended June 30, 2018

**LAND OF SKY REGIONAL COUNCIL**

**ASHEVILLE, NORTH CAROLINA**

**EXECUTIVE COMMITTEE AND BOARD OF DELEGATES**

As of the Financial Statement Release Date

**Executive Committee**

<b>Office Position</b>	<b>Name</b>	<b>Area Position</b>
Chair	Larry Harris	Alderman, Black Mountain
Vice-Chair	Wayne Brigman	Commissioner, Madison County
Secretary	Patrick Fitzsimmons	Councilman, Weaverville
Treasurer	Mike Hawkins	Commissioner, Transylvania County
Past Chair	George Goosmann, III	Mayor, Biltmore Forest
County Delegate	John Mitchell	
Municipal Delegate	Vacant	
At-Large Delegate	Vacant	
Aging Delegate	Charles Dickens	

**Board of Delegates**

<b>Jurisdiction</b>	<b>Primary Delegate</b>	<b>Alternate Delegate(s)</b>
Buncombe County	Robert Pressley	
Henderson County	Grady Hawkins	Larry Rogers
Madison County	Wayne Brigman	Matt Wechtel, Forrest Gilliam
Transylvania County	Mike Hawkins	Jason Chappell
Asheville	Vijay Kapoor	Julie Mayfield
Biltmore Forest	George Goosmann, III	Jonathan Kanipe
Black Mountain	Larry Harris	Maggie Tuttle
Brevard	Charlie Landreth	Mac Morrow, Jim Fatland
Flat Rock	Albert Gooch	Paige Posey, Pat Christie
Fletcher	Bob Davy	Mark Biberdorf
Hendersonville	Barbara Volk	Ron Stephens, Jon Connet
Hot Springs	Vacant	
Laurel Park	Nancy McKinley	Alison Alexander

**LAND OF SKY REGIONAL COUNCIL**

**ASHEVILLE, NORTH CAROLINA**

**EXECUTIVE COMMITTEE AND BOARD OF DELEGATES**

As of the Financial Statement Release Date (Continued)

**Board of Delegates (continued)**

<b><u>Jurisdiction</u></b>	<b><u>Primary Delegate</u></b>	<b><u>Alternate Delegate(s)</u></b>
Mars Hill	John Chandler	Darhyl Boone
Marshall	Jack Wallin	Bille Jean Haynie, Aileen Payne, Nancy Allen
Montreat	Bill Gilliland	Alice Lentz
Rosman	Brian Shelton	
Weaverville	Patrick Fitzsimmons	Dottie Sherrill
Woodfin	Jerry VeHaun	Debbie Giezentanner, Jason Young

**At - Large Delegates**

<b><u>Jurisdiction</u></b>	<b><u>Primary Delegate</u></b>
Buncombe County	Vacant
Henderson County	John Mitchell
Madison County	Vacant
Transylvania County	Vacant

**Economic Development Delegates**

<b><u>Jurisdiction</u></b>	<b><u>Primary Delegate</u></b>
Buncombe County	George Morosani
Henderson County	Vacant
Madison County	Vacant
Transylvania County	Josh Hallingse

**Program Representative Delegates**

<b><u>Program</u></b>	<b><u>Primary Delegate</u></b>
Aging	Charles Dickens
Volunteer Services	Gaylyn Justice

**LAND OF SKY REGIONAL COUNCIL**

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cannon&company  
Certified Public Accountants L.L.P.

## **INDEPENDENT AUDITORS' REPORT**

Board of Delegates  
Land of Sky Regional Council  
Asheville, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Land of Sky Regional Council as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Land of Sky Regional Council'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 these 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers internal control relevant to the entity's 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 the entity's 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 opinions.

## *Opinions*

In our opinion, based on our audit, 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 Land of Sky Regional Council as of June 30, 2018, and the respective changes in financial position, and the respective budgetary comparison for the General Fund 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 11 through 18 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 49 and 50, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Land of Sky Regional Council. The individual fund financial statements, budgetary schedules, and other schedules, and the accompanying Schedule of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements, budgetary schedules, other schedules, financial data schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the individual fund statements, the budgetary schedules, other schedules, financial data schedules, and Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



The General Fund – Indirect Cost Center – Schedule of Computation of Indirect Cost Allocation Rate is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2018 on our consideration of the Land of Sky Regional Council’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Land of Sky Regional Council’s internal control over financial reporting and compliance.

Winston-Salem, North Carolina

October 30, 2018

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

## **Management's Discussion and Analysis**

As management of Land of Sky Regional Council (the Council), we offer readers of the Council's financial statements this narrative overview and analysis of the financial activities of Land of Sky Regional Council for the fiscal year ended June 30, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Council's financial statements, which follow this narrative.

### **Overview of Land of Sky Regional Council**

Land of Sky Regional Council is a Council of Governments that serves four counties and fifteen municipalities in the western mountains area of North Carolina. We administer various federal, state, and local programs for the benefit of our member governments.

### **Financial Highlights**

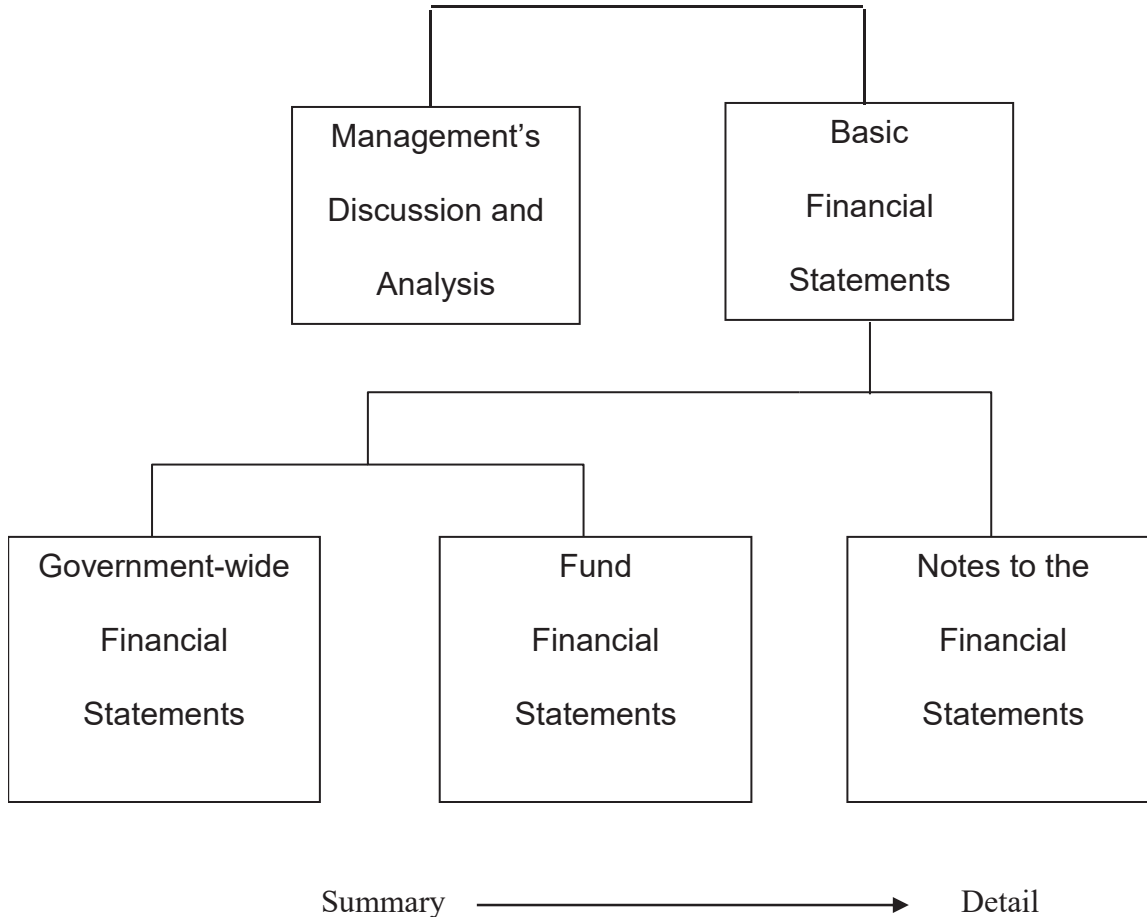
- The assets and deferred outflows of resources of the Council exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$1,845,127 (net position).
- The Council's total net position increased by \$89,094.
- As of the close of the current fiscal year, the Council's governmental funds reported combined ending fund balances of \$2,605,362, an increase of \$265,383 in comparison with the prior year. Of this total amount, \$1,320,529 is restricted by state statute.
- At the end of the current fiscal year, unassigned net position for the General Fund was \$1,284,833.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Council's basic financial statements which consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Council through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Council.

**Required Components of Annual Financial Report**

**Figure 1**



**Basic Financial Statements**

The first two statements (Exhibits 1 and 2) in the basic financial statements are the ***Government-wide Financial Statements***. They provide both short and long-term information about the Council’s financial status.

The next statements (Exhibits 3 through 6) are ***Fund Financial Statements***. These statements focus on the activities of the individual parts of the Council’s government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the fiduciary fund statements.

The next section of the basic financial statements is the ***notes***. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, ***supplemental information*** is provided to show details about the Council’s individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

**LAND OF SKY REGIONAL COUNCIL**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2018

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**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the Council's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Council's financial status as a whole.

The two government-wide statements report the Council's net position and it has changed. Net position is the difference between the Council's total assets and total liabilities and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Council's financial condition.

The government-wide statements may be divided into three categories: 1) governmental activities, 2) business-type activities and 3) component units. However, the Council does not have any business-type activities or component units. The governmental activities include all of the Council's basic services such as general administration, economic and community development, human services, environmental protection, workforce development and transportation planning services. State and federal grants, contracts with local governments and member government dues finance most of these activities.

The government-wide financial statements can be found on Exhibits 1 and 2 of this report.

**Fund Financial Statements**

The fund financial statements (see Figure 1) provide a more detailed look at the Council's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Council, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Council's budget ordinance. All of the funds of the Council are of the governmental fund category.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Council's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Council's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Council adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the constituent member local governments of the Council, the management of the Council, and the decisions of the governing board (the board) about which services to provide and how to pay for them. It also authorizes the Council to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Council complied with the budget ordinance and whether or not the Council succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format,

**LAND OF SKY REGIONAL COUNCIL**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2018

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language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Council has three fiduciary funds, which are agency funds.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 30 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Land of Sky Regional Council's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 49 of this report.

**Interdependence with Other Entities** – The Council depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Council is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

**LAND OF SKY REGIONAL COUNCIL**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2018

**Government – Wide Financial Analysis**

**Land of Sky Regional Council**  
**Net Position**

Table A-1

	Governmental Activities	
	2018	2017
Current and other assets	\$ 3,946,463	\$ 3,790,069
Capital assets	1,327,279	1,436,809
Long term note receivable	983,613	983,613
Deferred outflows of resources	421,304	589,679
Total assets and deferred outflows of resources	<u>6,678,659</u>	<u>6,800,170</u>
Current liabilities	1,431,644	1,401,828
Long-term liabilities outstanding	3,011,564	3,211,619
Deferred inflows of resources	390,324	430,690
Total liabilities and deferred inflows of resources	<u>4,833,532</u>	<u>5,044,137</u>
Net position		
Invested in capital assets, net of related debt	(282,115)	(172,585)
Restricted	1,320,529	1,087,503
Unrestricted	806,713	841,115
Total net position	<u>\$ 1,845,127</u>	<u>\$ 1,756,033</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Council exceeded liabilities and deferred inflows by \$1,845,127 as of June 30, 2018. The Council's net position increased by \$89,094 for the fiscal year ended June 30, 2018. A portion of the Council's net position, \$(282,115), reflects the Council's investment in capital assets, net of related debt. An additional portion of the Land of Sky Regional Council net position of \$1,320,529 represents resources that are subject to external restrictions on how they may be used. All of this amount is restricted by the State's Stabilization by State Statute. The remaining balance of \$806,713 is unrestricted.

**LAND OF SKY REGIONAL COUNCIL**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2018

**Land of Sky Regional Council**  
**Changes in Net Position**  
**Table A-2**

	Governmental Activities	
	2018	2017
Revenues:		
Program revenues:		
Charges for services	\$ 1,702,945	\$ 1,728,720
Operating grants and contributions	9,411,148	11,118,023
General revenues:		
Other revenues	191,651	194,970
Unrestricted investment earnings	6,396	2,793
	<u>11,312,140</u>	<u>13,044,506</u>
Expenses:		
General government	380,031	155,352
Economic and community development	867,710	883,740
Human services	5,578,256	5,529,873
Environmental protection	61,630	371,578
Transportation	1,848,587	3,693,816
Workforce development	2,486,832	1,989,025
	<u>11,223,046</u>	<u>12,623,384</u>
Total Expenses		
	89,094	421,122
Increase in net position	1,756,033	1,334,911
Net position, beginning		
	<u>\$ 1,845,127</u>	<u>\$ 1,756,033</u>
Net position, June 30		

**Governmental activities.** Governmental activities increased the Council's net position by \$89,094. The current year increase reflects the changes in costs associated with the Council placing its focus on local economic development and the performance of services related to those contracts in cooperation with member governments in its region.

**Financial Analysis of the Council's Funds**

As noted earlier, the Council uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Council's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Land of Sky Regional Council's financial requirements.



**LAND OF SKY REGIONAL COUNCIL**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2018

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The General Fund is the chief operating fund of the Council. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,284,833 while total fund balance reached \$2,605,362, an increase of \$265,383 (11.34%) from the prior year. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represented 11.60% percent of total General Fund expenditures. Total fund balance represented 23.58% percent of total General Fund expenditures.

**Governmental Funds Budgetary Highlights:** During the fiscal year, the Council revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Amendments to the Funds increased the budget by \$1,451,482.

**Capital Asset and Debt Administration**

**Capital assets.** The Council’s investment in capital assets for its governmental activities as of June 30, 2018, totals \$1,327,278, (net of accumulated depreciation). These assets include office space and leasehold improvements, vehicles, office and computer equipment and software.

There were no major capital assets transactions during the year.

**Summary of Capital Assets (net of depreciation)**

**Table A-3**

	Governmental Activities	
	2018	2017
Building	\$ 1,269,594	\$ 1,350,339
Vehicles	2,843	8,529
Equipment	54,842	77,941
Total	\$ 1,327,279	\$ 1,436,809

Additional information on the Council’s capital assets can be found in note D of the Basic Financial Statements.

**LAND OF SKY REGIONAL COUNCIL**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2018

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**Debt Administration**

As of June 30, 2018, the outstanding debt of the Council consisted of \$1,609,394 of a capital lease related to the Council building. Of total outstanding debt, \$241,254 is included in current liabilities. Additional information on the Council’s capital lease can be found in Note K of the Basic Financial Statements.

	Governmental Activities	
	2018	2017
Capital lease		
Current portion	\$ 241,254	\$ 177,176
Long term portion	1,368,140	1,432,218
Total capital lease	<u>\$ 1,609,394</u>	<u>\$ 1,609,394</u>

**Economic Factors and Next Year’s Budgets and Rates**

- The Council is in the process of developing a strategic plan for the organization. It is expected this will result in the adoption of new priorities that could expand services and programs and, in turn, have positive impacts on Council revenue.
- Due to the region’s historically low unemployment rate, continued reductions in workforce funding formula funds are expected. However, the Council continues to receive one-time grant funding for workforce programs that make up for some of this loss in funding.
- The state’s transition to a Medicaid managed care system will present numerous opportunities for expansion of fee-for-service activities.
- New reporting, record keeping, and administrative requirements for federal funding programs continues to stress the Council’s finance and administrative functions. It is anticipated additional capacity for the Council’s internal functions will be required to meet the workload demand.

**Requests for Information**

This report is intended to provide a general overview of Land of Sky Regional Council’s finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, Land of Sky Regional Council, 339 New Leicester Highway, Suite 140, Asheville, North Carolina, 28806. You may find additional information about the Council by visiting our website at [www.landofsky.org](http://www.landofsky.org).

## **BASIC FINANCIAL STATEMENTS**

**LAND OF SKY REGIONAL COUNCIL**  
**STATEMENT OF NET POSITION**  
June 30, 2018

	Primary Government Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 2,108,344
Accounts receivable	1,838,119
Total current assets	<u>3,946,463</u>
Non-current assets:	
Capital assets:	
Depreciable, net of related depreciation	1,327,279
Total capital assets	<u>1,327,279</u>
Long term notes receivable	<u>983,613</u>
Total assets	<u>6,257,355</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension deferrals	421,304
Total deferred outflows of resources	<u>421,304</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	998,332
Accrued expenses	192,058
Current portion of long-term obligations	241,254
	<u>1,431,644</u>
Long-term liabilities:	
Noncurrent portion of long-term obligations	1,368,140
Net pension liability	502,926
Due to the revolving loan fund	983,613
Compensated absences	156,885
Total liabilities	<u>4,443,208</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension deferrals	48,214
Unearned revenue	342,110
Total deferred inflows of resources	<u>390,324</u>
<b>NET POSITION</b>	
Net investment in capital assets	(282,115)
Restricted:	
Stabilization by State Statute	1,320,529
Unrestricted	806,713
Total net position	<u>\$ 1,845,127</u>

**LAND OF SKY REGIONAL COUNCIL**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenue		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and
				Changes in Net Position
			Primary Government	Total Governmental Activities
<b>Primary government:</b>				
Governmental Activities:				
General government	\$ 380,031	\$ 6,490	\$ 9,264	\$ (364,277)
Economic and community development	867,710	161,328	706,381	(1)
Human services	5,578,256	190,746	5,387,510	-
Environmental protection	61,630	-	61,630	-
Transportation	1,848,587	1,344,381	759,531	255,325
Workforce development	2,486,832	-	2,486,832	-
Total primary government	<u>\$ 11,223,046</u>	<u>\$ 1,702,945</u>	<u>\$ 9,411,148</u>	<u>(108,953)</u>
<b>General revenues:</b>				
Other income				142,103
Local governmental dues				49,548
Unrestricted investment earnings				6,396
Total general revenues				<u>198,047</u>
Change in net position				89,094
Net position - beginning, previously reported				<u>1,756,033</u>
Net position - ending				<u>\$ 1,845,127</u>

**FUND FINANCIAL STATEMENTS**

**LAND OF SKY REGIONAL COUNCIL**  
**BALANCE SHEETS**  
**GOVERNMENTAL FUNDS**  
June 30, 2018

	<u>Major Fund</u>	Total
	General Fund	Governmental Funds
<b>ASSETS</b>		
Cash and investments	\$ 2,108,344	\$ 2,108,344
Accounts receivable:		
Grants and contracts	1,814,689	1,814,689
Other	23,430	23,430
Note receivable from Revolving Loan Program	983,613	983,613
Total assets	<u>\$ 4,930,076</u>	<u>\$ 4,930,076</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$ 41,185	\$ 41,185
Accrued liabilities	192,058	192,058
Due to sub-recipients and beneficiaries	490,706	490,706
Due to other governments	275,042	275,042
Due to the Revolving Loan Fund	983,613	983,613
Total liabilities	<u>1,982,604</u>	<u>1,982,604</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unearned revenue	342,110	342,110
Total deferred inflows of resources	<u>342,110</u>	<u>342,110</u>
<b>FUND BALANCES</b>		
Restricted:		
Stabilization by State Statute	1,320,529	1,320,529
Unassigned	1,284,833	1,284,833
Total fund balances	<u>2,605,362</u>	<u>2,605,362</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,930,076</u>	<u>\$ 4,930,076</u>

**LAND OF SKY REGIONAL COUNCIL**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**June 30, 2018**

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Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total fund balance, governmental funds		\$ 2,605,362	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Gross capital assets at historical cost	\$ 2,514,087		
Accumulated depreciation	<u>(1,186,808)</u>	1,327,279	
Deferred outflows of resources related to the pension are not reported in the funds			421,304
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds			
Obligations under capital leases	(1,609,394)		
Accrued interest expense	(191,399)		
Compensated absences	(156,885)		
Net pension liability	<u>(502,926)</u>	(2,460,604)	
Deferred inflows of resources related to pensions are not reported in the funds			<u>(48,214)</u>
Net position of governmental activities			<u><u>\$ 1,845,127</u></u>



**LAND OF SKY REGIONAL COUNCIL**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2018

	<u>Major Funds</u>	
	<u>General Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>		
Federal government	\$ 6,327,077	\$ 6,327,077
State of North Carolina	1,921,666	1,921,666
Local governmental awards and membership dues	2,411,420	2,411,420
Facilities and other income	396,988	396,988
Private	67,217	67,217
In-kind	181,379	181,379
Interest income	6,396	6,396
Total revenues	<u>11,312,143</u>	<u>11,312,143</u>
<b>EXPENDITURES</b>		
General government	203,745	203,745
Economic and community development	867,710	867,710
Human services	5,578,256	5,578,256
Environmental protection	61,630	61,630
Workforce development	2,486,832	2,486,832
Transportation	1,848,587	1,848,587
Total expenditures	<u>11,046,760</u>	<u>11,046,760</u>
Net change in fund balance	265,383	265,383
Fund balances, beginning	<u>2,339,979</u>	<u>2,339,979</u>
Fund balances, ending	<u><u>\$ 2,605,362</u></u>	<u><u>\$ 2,605,362</u></u>

**LAND OF SKY REGIONAL COUNCIL**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2018

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Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balance - total governmental funds		\$ 265,383
<p>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 expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	\$ 6,158	
Depreciation expense for governmental assets	<u>(115,688)</u>	(109,530)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		163,155
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Increase in accrued interest payable		(61,358)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences	(5,013)	
Pension expense	<u>(163,543)</u>	(168,556)
Total changes in net position of governmental activities		<u>\$ 89,094</u>

## LAND OF SKY REGIONAL COUNCIL

## GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Federal government	\$ 7,113,782	\$ 8,093,226	\$ 6,327,077	\$ (1,766,149)
State of North Carolina	2,049,852	2,044,540	1,921,666	(122,874)
Local governmental awards and membership dues	2,752,046	2,868,349	2,411,420	(456,929)
Facilities and other income	241,148	403,252	396,988	(6,264)
Private	148,299	168,235	67,217	(101,018)
In-kind	210,743	209,750	181,379	(28,371)
Interest income	-	-	6,396	6,396
Total revenues	<u>12,515,870</u>	<u>13,787,352</u>	<u>11,312,143</u>	<u>(2,475,209)</u>
Expenditures:				
General government	213,006	396,006	203,745	192,261
Economic and community development	1,176,470	1,312,532	867,710	444,822
Human services	5,914,406	5,989,427	5,578,256	411,171
Environmental protection	148,000	153,626	61,630	91,996
Workforce development	2,612,450	3,268,044	2,486,832	781,212
Transportation	2,451,538	2,847,717	1,848,587	999,130
Total expenditures	<u>12,515,870</u>	<u>13,967,352</u>	<u>11,046,760</u>	<u>2,920,592</u>
Fund balance appropriated	<u>-</u>	<u>180,000</u>	<u>-</u>	<u>(180,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>265,383</u>	<u>\$ 265,383</u>
Fund balance, beginning			<u>2,339,979</u>	
Fund balance, ending			<u>\$ 2,605,362</u>	

**LAND OF SKY REGIONAL COUNCIL**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
June 30, 2018

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 85,404
	<u>85,404</u>
<b>LIABILITIES</b>	
Held in trust for other purposes	\$ 85,404
	<u>85,404</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**LAND OF SKY REGIONAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Land of Sky Regional Council (the Council) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

General

The Council was created to plan or to see that plans are established and executed that will foster desirable social, cultural, ecological and economic conditions within the region. It covers a four county area comprising Region B in Western North Carolina. The four counties served by the Council are Buncombe, Henderson, Madison and Transylvania. Each member government within the region is entitled to a delegation of one member. This delegation has one vote in the election of the executive committee.

Reporting Entity

The Council, a regional council of governments established under State Law (G.S. 160A-470), is governed by representatives from its member governments in the counties along with municipalities in each county.

Basis of Presentation

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements present the *governmental activities* of the Council. Government activities generally are financed through intergovernmental revenues and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Council's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the Council's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds, if any, are aggregated and reported as nonmajor funds.

Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Council reports the following major governmental funds:

**General Fund:** The General Fund is the general operating fund of the Council. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are federal and state grants, contracts with local governments and member government dues. Primary expenditures are for administration and for program purposes, including salaries and fringe benefits.

**Agency Fund:** The agency funds are custodial in nature and do not involve the measurement of operating results. The funds are used to account for assets the Council holds on behalf of others. The Council maintains two agency funds:

- ***Black Mountain Commerce Park*** – This fund accounts for the assets and activities of a member government’s economic development grant. The Council acts as its fiscal agent.
- ***WNC Highway Corridors Association*** – This fund accounts for the assets and activities of the I-26 Corridor Association, an unincorporated association for which the Council acts as its fiscal agent.
- ***CarolinaWest*** – This fund accounts for the assets and activities of CarolinaWest, an unincorporated economic development association for which the Council acts as its fiscal agent.

Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Council are maintained during the year using the modified accrual basis of accounting.

*Government-wide Financial Statements.* The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Council gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General

**LAND OF SKY REGIONAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Council considers all revenues available if they are collected within 90 days after year-end. Grant revenues which are unearned at year-end are recorded as unearned revenues.

Those revenues susceptible to accrual are member dues, investment earnings, technical assistance contracts, contracts and fees, and federal and state restricted intergovernmental revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Budgetary Data

The Council's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. All amendments (except as noted below) must be approved by the governing board except transfers from one appropriation to another within the same fund and program in any amounts. Such transfers may be made by the finance officer but must be reported to the Board at its next regular meeting. The finance officer is also permitted to authorize expenditures from the contingency account, if any, provided that such expenditures are transferred to an existing appropriation on a budget line-item before the expenditure is made. All such transfers must be reported to the Board at its next regular meeting. The Executive Director, or in his absence, the Chair of the Council or the Deputy Executive Director shall have the authority to approve budget amendments required as part of the contract execution process if: 1) the program/activity in question is included as part of the approved budget; 2) the program/activity in question has traditionally been part of the Council's ongoing business; 3) the program/activity in question is being carried over from the previous fiscal year; or 4) the budget for the program/activity in question does not exceed \$25,000. Reports of such budget amendments shall be made to the Executive Committee at their next meeting and officially recorded as part of the Executive Committee meeting minutes. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

*Deposits and Investments:*

All deposits of the Council are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Council may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Council may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.



**LAND OF SKY REGIONAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2018

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

State law [G.S.159-30(c)] authorizes the Council to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Council's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

*Cash and cash equivalents:*

The Council pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents. The Council considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

*Capital Assets:*

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Building	26
Building improvements	7-15
Vehicles	6
Furniture and equipment	3-7
Copiers	4-7
Computer equipment and software	4-5

*Deferred outflows/inflows of resources:*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Council has one item that met this criterion, pension deferrals for the 2018 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Council has two items that meet the criterion for this category, listed in Note H – pension deferrals and resources from federal, state and local awards that have not been earned.

*Long-Term Obligations:*

In the government-wide financial statements capital leases and other long-term obligations are reported as liabilities in the applicable governmental activities on the statement of net position.

*Compensated Absences:*

The vacation policy of the Council provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Council's government-wide financial statements, an expense and a liability for compensated absences and the salary-related payments are recorded at the fiscal year end on a LIFO basis, assuming that employees are taking leave time as it is earned.

The Council's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Council does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

*Net position/Fund Balances:*

Net position: Net position in government-wide financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances: In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The government fund types classify fund balance as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance: This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute – portion of fund balance that is restricted by State Statute [G.S. 159-8 (a)].

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Committed fund balance: Portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Council’s governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance: Portion of fund balance that the Council intends to use for specific purposes.

Subsequent Year’s Expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed.

Unassigned fund balance: The portion of total fund balance available for appropriation that has not been restricted, committed, or assigned to specific purposes or other funds.

The Council has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: proportionally as dictated by grant requirements, federal funds, State funds, local funds, and other funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Council.

Revenues, Expenditures and Expenses

*Indirect cost allocation:*

Indirect costs are allocated to the various grants at 37.29% of direct salaries and fringe benefits for the year ended June 30, 2018. The Economic Development Administration, the Council’s oversight agency has reviewed and found no fault in the provisional rate. The Council must account for differences between estimated and actual indirect costs by either: a) making an adjustment to its future indirect cost rate for the difference carried forward or b) making adjustments to the costs charged to the various programs based on the actual charges. The actual indirect cost rate for the year ended June 30, 2018 is 44.19% of direct salaries and fringe.

Grant Revenue

The Council recognizes revenues (net of estimated uncollectible amount, if any), when all applicable eligibility requirements, including time requirements, are met. Resources transmitted to the Council before meeting the eligibility requirements are recorded and reported as unavailable revenues.

In-Kind Contributions

In-kind contributions consist principally of the estimated fair value of services or facilities provided by various persons or agencies.

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Government Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Council's employer contributions are recognized when due and the Council has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expense during the reporting period. Actual results could differ from those estimates.

**NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Over Appropriation of Fund Balance**

For the fiscal year ended June 30, 2018, the Council over appropriated fund balance. The fund balance available at June 30, 2017 was (\$708,733). The budget for the year ended June 30, 2018 appropriated \$180,000. Management and the Board will more closely review the budget reports to ensure compliance in future years.

**NOTE C - CASH AND INVESTMENTS**

Deposits

All the deposits of the Council are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Council's agent in the Council's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Council, these deposits are considered to be held by the Council's agent in the Council's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured

**LAND OF SKY REGIONAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018

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**NOTE C - CASH AND INVESTMENTS (CONTINUED)**

deposits. The State Treasurer does not confirm this information with the Council or the escrow agent. Because of the inability to measure the exact amount of collateral pledges for the Council under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Council has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Council complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2018, the Council's deposits had a carrying amount of \$1,621,130 and a bank balance of \$2,029,797. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$1,779,797 in deposits was covered by collateral held under the pooling method. At June 30, 2018, the Council's petty cash fund totaled \$250.

In addition to these cash amounts, \$85,404 is held in the Council operating account for programs where the Council serves as fiscal agent.

Investments

At June 30, 2018, the Land of Sky Regional Council had \$486,964 invested with the North Carolina Capital Management Trust (NCCMT). Of these amounts with the NCCMT, \$281,578 was invested with the NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, valued at fair value, which is the NCCMT's share price. The Government Portfolio carried a credit rating of AAAM by Standard and Poor's at June 30, 2018. The Council had \$205,386 invested in the NCCMT Term Portfolio. These securities are also valued at fair value. The Term Portfolio duration is less than three months and is not rated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30, as amended. The Council has no formal investment policy and no policy regarding credit risk.

The following schedule reconciles these disclosures to the Statement of Net Position:

	<u>Exhibit A</u>
Cash in operating accounts	\$ 1,621,130
Cash held with NCCMT	486,964
Petty cash	250
	<u>\$ 2,108,344</u>

**LAND OF SKY REGIONAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018

**NOTE D – RECEIVABLES**

The Council participates in a revolving loan fund sponsored by the Environmental Protection Agency (EPA) seeking to clean sites identified under the Brownfield program. The revolving loan lends to qualified entities who then work with the EPA to bring the site into environmental standards. In December, 2014, the Council consolidated its three loans into one loan of \$968,975. The new loan bears interest at 1%. No payments were due for the two years from 2015 through 2016, monthly payments of \$5,050 are due for the seventeen years from 2017 through 2033, and monthly payments of \$199.62 are due for the twenty-three years from 2034 through 2056. No payments were made in 2018 and no interest was accrued as earned. The following is a schedule of the loan receivable:

Balance, June 30, 2017	\$ 983,613
Add: interest earned	-
Less: principal payments	-
Balance, June 30, 2018	<u>\$ 983,613</u>

**NOTE E - CAPITAL ASSETS**

**Primary Government**

Capital asset activity for the primary government for the year ended June 30, 2018, was as follows:

	Beginning Balances	Additions	Disposals	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets being depreciated:</b>				
Building	\$ 2,077,155	\$ -	\$ -	\$ 2,077,155
Vehicles	55,931	-	-	55,931
Equipment	392,403	6,158	17,560	381,001
Total capital assets being depreciated	<u>2,525,489</u>	<u>6,158</u>	<u>17,560</u>	<u>2,514,087</u>
<b>Less accumulated depreciation for:</b>				
Buildings	726,816	80,745	-	807,561
Vehicles	47,402	5,686	-	53,088
Equipment	314,462	29,257	17,560	326,159
Total accumulated depreciation	<u>1,088,680</u>	<u>115,688</u>	<u>17,560</u>	<u>1,186,808</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 1,436,809</u>			<u>\$ 1,327,279</u>

**NOTE F – PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS**

Local Government Employees' Retirement System

Plan Description. The Council is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Council employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Council's contractually required contribution rate for the year ended June 30, 2018, was 7.58% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Council were \$163,155 for the year ended June 30, 2018.

*Refunds of Contributions* – Council employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

**LAND OF SKY REGIONAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018

**NOTE F – PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (CONTINUED)**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2018, the Council reported a liability of \$502,926 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Council’s proportion of the net pension liability was based on a projection of the Council’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the Council’s proportion was 0.03292%, which was an increase of 0.003% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Council recognized pension expense of \$163,543. At June 30, 2018 the Council 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	\$ 28,973	\$ 14,236
Changes of assumptions	71,825	-
Net difference between projected and actual earnings on pension plan investments	122,111	-
Changes in proportion and differences between Council contributions and proportionate share of contributions	35,240	33,978
Council contributions subsequent to the measurement date	163,155	-
Total	<u>\$ 421,304</u>	<u>\$ 48,214</u>

\$163,155 reported as deferred outflows of resources related to pensions resulting from Council contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2019	\$ 18,430
2020	140,656
2021	82,917
2022	(32,068)
2023	-
Thereafter	-
	<u>\$ 209,935</u>



**LAND OF SKY REGIONAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018

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**NOTE F – PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (CONTINUED)**

*Actuarial Assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.1 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce 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 expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

**LAND OF SKY REGIONAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018

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**NOTE F – PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (CONTINUED)**

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan 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.

*Sensitivity of the Council’s proportionate share of the net pension asset to changes in the discount rate.* The following presents the Council’s proportionate share of the net pension asset calculated using the discount rate of 7.20 percent, as well as what the Council’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	<b>1% Decrease (6.20%)</b>	<b>Discount Rate (7.20%)</b>	<b>1% Increase (8.20%)</b>
Council's proportionate share of the net pension liability (asset)	\$ 1,509,796	\$ 502,926	\$ (337,492)

*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Supplemental Retirement Income Plan.

*Plan description* - The Council contributes to the Supplemental Retirement Income Plan, a defined contribution plan administered by the Department of the State Treasurer and a Board of Trustees. The Plan provides retirement benefits to all regular Council employees. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

*Funding policy* - The Council contributes, at each payroll, four percent of each employee’s salary. All amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2018 totaled \$126,878, which consisted of \$80,570 from the Council and \$46,308 from employees.

**NOTE G - OTHER EMPLOYMENT BENEFITS**

The Council has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Council, the Council does not determine the number of eligible participants. The Council has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. The Council considers these contributions to be immaterial.

**NOTE H – DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES**

Deferred inflows and outflows of resources are comprised of the following:

	<b>Deferred Outflows of Resources</b>	
	<u>\$</u>	<u></u>
Differences between expected and actual experience	\$	28,973
Changes of assumptions		71,825
Net difference between projected and actual earnings on pension plan investments		122,111
Changes in proportion and differences between Council contributions and proportionate share of contributions		35,240
Council contributions subsequent to the measurement date		163,155
Total deferred outflows of resources	<u>\$</u>	<u>421,304</u>
	<b>Deferred Inflows of Resources</b>	
	<u>\$</u>	<u></u>
Differences between expected and actual experience	\$	14,236
Changes in proportion and differences between Council contributions and proportionate share of contributions		33,978
Unearned revenue		342,110
Total deferred inflows of resources	<u>\$</u>	<u>390,324</u>

**NOTE I - RISK MANAGEMENT**

The Council 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 Council participates in a self-funded risk financing pool administered by the North Carolina League of Municipalities. Through this pool, the Council obtains general liability and property coverage of equal to replacement cost values of owned property. The pool will pay the first \$500,000 of claims and is reinsured through a commercial company for single occurrence claims for up to an additional \$500,000.

The Council participates in a second self-funded risk financing pool administered by the North Carolina League of Municipalities. Through this pool, the Council has worker's compensation coverage up to the statutory limits. The pool will pay up to the statutory limits for single occurrence claims. For worker's compensation, the pool purchases property reinsurance in excess of a \$500,000 retention.

The Council purchased a Public Officials Bond on the Finance Officer in the amount of \$90,000.

All Councils of Government in the State of North Carolina were created by State Statute to operate exclusively within the counties they serve. As a result, the Council is dependent upon funding it receives as a result of the award administration services it provides under the North Carolina General Statutes.

**NOTE J - CONTINGENCIES**

The Council has received proceeds from several Federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statement for the refund of grant monies.

**NOTE K – LONG-TERM OBLIGATIONS**

In January of 2008, the Council entered into a lease-purchase agreement with Buncombe County for the purpose of acquiring the office space at 339 Leicester Crossing. During the year ended June 30, 2015, the Council returned a portion of the office space to the County, and the original agreement was amended with a debt balance representing the portion related to the remaining space, \$1,609,394. The new lease-purchase agreement requires semi-annual payments of \$61,429 through June 30, 2034 and one final payment of \$12,153 in December 2034. No payments were made during the year ended June 30, 2017 or 2018. However, principal and interest payments totaling \$368,574 were made on October 17, 2018.

**LAND OF SKY REGIONAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018

**NOTE K – LONG-TERM OBLIGATIONS (CONTINUED)**

Future minimum lease payments for the lease obligation are as follows:

<b>Year ended June 30:</b>	
2019	\$ 491,432
2020	122,858
2021	122,858
2022	122,858
2023	122,858
Thereafter	<u>1,363,591</u>
	2,346,455
Less interest	<u>(737,062)</u>
Present value of minimum lease payments	1,609,393
Less current portion	<u>(241,254)</u>
Long-term lease obligation	<u>\$ 1,368,139</u>

Changes in long-term obligations for the fiscal year ended June 30, 2018 are as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>	<u>Current Portion</u> <u>of Balance</u>
<b>Governmental activities:</b>					
Long-term portion of facilities lease	\$ 1,432,218	\$ 177,176	\$ -	\$ 1,609,394	\$ 241,254
Long-term RLF program note	983,613	-	-	983,613	-
Net pension liability (LGERS)	643,917	-	140,991	502,926	-
Compensated absences	151,871	178,155	173,141	156,885	-
Governmental activity liabilities	<u>\$ 3,211,619</u>	<u>\$ 355,331</u>	<u>\$ 314,132</u>	<u>\$ 3,252,818</u>	<u>\$ 241,254</u>

**LAND OF SKY REGIONAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018

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**NOTE L – LEASE OBLIGATIONS**

The Council leases various pieces of equipment, such as copiers and postage meters. Rent expense for the year ended June 30, 2018, was \$26,328.

The following is a summary of future operating lease commitments:

	<u>Amount</u>
2019	\$ 7,826
2020	4,433
2021	3,114
2022	2,171
2023	1,628
Thereafter	-
	<u>\$ 19,172</u>

**NOTE M – NET INVESTMENT IN CAPITAL ASSETS**

Capital assets	<u>\$ 1,327,279</u>
Less capital debt	<u>1,609,394</u>
Net investment in capital asset	<u>\$ (282,115)</u>

**LAND OF SKY REGIONAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018

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**NOTE N – FUND BALANCE**

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 2,605,362	
Stabilization by State Statute	1,320,529	
Remaining fund balance	<u>\$ 1,284,833</u>	
Calculated as follows:		
Unrestricted cash and investments		\$ 2,108,344
Less liabilities:		
Total liabilities per fund balance sheet	1,982,604	
Net of due to revolving loan fund as payable from notes receivable from revolving loan fund	(983,613)	
Net of liabilities payable from grants and contracts receivable	<u>(517,590)</u>	481,401
Less encumbrances:		
Total encumbrances per notes to the financial statements	419,850	
Less encumbrances payable from grants once expenditure is incurred	<u>(419,850)</u>	-
Less unearned revenue arising from cash receipts		<u>342,110</u>
Fund balance available for appropriation		1,284,833
Fund balance per fund balance sheet		<u>2,605,362</u>
Fund balance restricted by State Statute		<u>\$ 1,320,529</u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. These encumbrances for the general fund amount to \$419,850 at June 30, 2018.

## **REQUIRED SUPPLEMENTARY FINANCIAL DATA**

This section contains additional information required by generally accepted accounting principles.

- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System



**LAND OF SKY REGIONAL COUNCIL**  
**LAND OF SKY REGIONAL COUNCIL'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**LAST FIVE FISCAL YEARS\***

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Local Government Employees' Retirement System</b>					
Land of Sky Regional Council's proportion of the net pension liability (asset) (%)	0.03292%	0.03034%	0.02834%	0.04056%	0.04140%
Land of Sky Regional Council's proportion of the net pension liability (asset) (\$)	\$ 502,926	\$ 643,917	\$ 127,189	\$ (239,201)	\$ 499,029
Land of Sky Regional Council's covered-employee payroll	\$ 2,162,438	\$ 2,009,593	\$ 1,896,903	\$ 2,427,394	\$ 2,596,109
Land of Sky Regional Council's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	23.26%	32.04%	6.71%	-9.85%	19.22%
Plan fiduciary net position as a percentage of the total pension liability	94.18%	91.47%	98.09%	102.64%	94.35%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

**LAND OF SKY REGIONAL COUNCIL  
 LAND OF SKY REGIONAL COUNCIL'S CONTRIBUTIONS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 LAST FIVE FISCAL YEARS**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 163,155	\$ 158,939	\$ 135,981	\$ 134,111	\$ 171,617
Contributions in relation to the contractually required contribution	163,155	158,939	135,981	134,111	171,617
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Land of Sky Regional Council's covered-employee payroll	\$ 2,152,439	\$ 2,162,438	\$ 2,009,593	\$ 1,896,903	\$ 2,427,394
Contributions as a percentage of covered-employee payroll	7.58%	7.35%	6.77%	7.07%	7.07%

**INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

**LAND OF SKY REGIONAL COUNCIL**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2018**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Federal government	\$ 8,093,226	\$ 6,327,077	\$ (1,766,149)
State of North Carolina	2,044,540	1,921,666	(122,874)
Local governmental awards and membership dues	2,868,349	2,411,420	(456,929)
Facilities and other income	403,252	396,988	(6,264)
Private	168,235	67,217	(101,018)
In-kind	209,750	181,379	(28,371)
Interest income	-	6,396	6,396
Total revenues	<u>13,787,352</u>	<u>11,312,143</u>	<u>(2,475,209)</u>
<b>Expenditures:</b>			
<b>General government</b>			
Council operations	216,006	60,345	155,661
Overhead administration	180,000	143,400	36,600
Subtotal for general government	<u>396,006</u>	<u>203,745</u>	<u>192,261</u>
<b>Human services</b>			
Bunc Co Supplemental Funds for Aging Svcs	489,964	487,916	2,048
Active Aging/Fall Prevention	801	801	-
MIPPA-DAAS	29,893	20,754	9,139
Buncombe Co Aging Plan	34,671	34,671	-
Aging - Planning	329,880	263,438	66,442
Aging Funds P & A - State	48,262	48,261	1
Aging - Health Promotions	31,093	31,091	2
MAHEC Hlth Assessmnt	4,961	-	4,961
Community Resource Connections	60,000	60,000	-
Aging - Services	2,865,664	2,768,558	97,106
Senior Center Outreach & Gen Purpose	43,760	43,758	2
Project Fan/Heat Relief	5,429	5,429	-
Family Caregiver Support	243,558	243,558	-
FCSP Event	577	-	577
Project CARE carryover	8,209	200	8,009
Project CARE Admin	101,317	92,020	9,297
UNCA-ACL Fall Prevention	9,970	9,704	266
Bunc Co Health Promotion Pilot	20,277	20,277	-
CDSMP Self-sustaining	2,092	748	1,344
CDSM-UNCA - 10/1/15-8/31/17	6,940	6,940	-
Regional Ombudsman	324,871	324,871	-
Elder Abuse	7,249	7,247	2
Bunc Co CAC Support	1,000	1,000	-
Just Press Play	8,327	2,219	6,108
Ombudsman/Elder Abuse Event	4,916	3,479	1,437

**LAND OF SKY REGIONAL COUNCIL**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL (CONTINUED)**  
For the Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Senior Community Service Employment Program-State	208,851	176,489	32,362
SCSEP-Local	1,172	-	1,172
Senior Community Service Employment Program-SSAI	296,225	225,492	70,733
Volunteer Svcs Fund-Raising	2,988	888	2,100
Senior Companion - HCCBG	46,388	4,639	41,749
Foster Grandparent	379,554	359,821	19,733
Senior Companion	370,568	333,987	36,581
Subtotal for human services	<u>5,989,427</u>	<u>5,578,256</u>	<u>411,171</u>
Environmental protection			
WRP-EPA Source Reduction	53,626	21,532	32,094
Black Mountain EPA Watershed Mgmt	100,000	40,098	59,902
Subtotal for environmental protection	<u>153,626</u>	<u>61,630</u>	<u>91,996</u>
Economic and community development			
WRP Buncombe Co Fire Dist Energy Assessments	30,000	10,116	19,884
WRP Weatherization Review-Eliz City	6,223	2,428	3,795
WRP-Tobacco Trust Fund - Phase II	123,393	37,026	86,367
WRP-Duke Energy Water Projects-NCCF	24,916	13,360	11,556
WRP-Energy Assessments - AB Tech	11,945	307	11,638
WRP-Energy Assessments - Asheville City Schools	10,515	1,728	8,787
WRP-City of Durham	8,093	8,093	-
WRP-Energy T/A for USI Prgm ND	2,736	626	2,110
DPPEA SWMTF WRP 7/15-6/18	50,000	50,000	-
WRP-City of AVL Water 7/16-6/17	15,000	15,000	-
WRP Private ND	16,428	13,067	3,361
WRP-RUS Solid Waste	54,000	55,035	(1,035)
WRP-USDA REAP REDA 4/1/18-3/31/20	16,463	3,551	12,912
WRP-USDA REAP REDA 4/1/16-3/30/18	38,845	38,845	-
WRP-RUS Solid Waste 10/1/16-9/30/17	24,595	24,595	-
ARC Administration 1/1-12/31/17	82,089	82,089	-
EDA - 1/1/15-12/31/17	71,641	71,641	-
EDA - 1/1/18-12/31/20	47,000	38,480	8,520
205(j) Stormwater Inventories-Rosman & Hot Springs	26,639	-	26,639
Town of Blk Mtn - GIS & GPS Svcs - FY	4,000	4,000	-
West NGN Broadband	21,969	21,969	-
Town of Fletcher-GIS Technical Assistance	1,000	608	392
ARC TA - Community Development 10/1/16-9/30/17	17,510	17,510	-
ARC Lead Development District	80,048	63,532	16,516
ARC TA - Community Development 10/1/17-9/30/18	20,625	16,998	3,627
Biltmore Forest GIS/GPS TA	6,068	6,068	-
ARC -Broadband	76,000	2,275	73,725
Hendersonville Downtown Revitalization	12,500	6,351	6,149
Weaverville Parks & Rec Plan	9,000	9,000	-

**LAND OF SKY REGIONAL COUNCIL**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL (CONTINUED)**  
For the Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Transylvania Co Housing Technical Assistance	5,000	2,174	2,826
Montreat & Biltmore Forest Planning & Zoning	38,394	38,394	-
CFWNC Agriventures ND	26,835	18,290	8,545
Black Mountain - Town Mgr T/A	3,473	3,473	-
CDGB Grantwriting	750	750	-
Brevard Downtown Revitalization	11,618	11,618	-
Mars Hill EDA WWT	8,000	-	8,000
NADO Craft Beverage Chain ND	3,455	3,455	-
Brownfields Conference Fundraising ND	2,610	1,426	1,184
RUS - Solid Waste(EDC) 10/1/17-9/30/18	32,475	9,781	22,694
CDBG Marshall Infrastructure 6/6/15-9/30/19	79,431	29,882	49,549
Clean Air Campaign ND	12,281	2,137	10,144
CMAQ-DOT 12/17/13-12/31/17	19,834	19,834	-
DOE-Clean Cities Program Support ND	19,926	-	19,926
DOE-NETL Clean Cities 2/1/16-1/31/18 FG	72,898	74,422	(1,524)
US DOE/SADI/Triangle J SE Alt Fuel Veh 3/1/17-12/31/17	2,021	2,021	-
REV, Recycling Education Vehicle ND	33,782	9,923	23,859
Riverweek ND	517	10	507
PRF - French Broad Stormwater	4,169	-	4,169
WNC Stormwater Partnership	4,078	4,078	-
RUS - Solid Waste(EDC) 10/1/16-9/30/17	21,744	21,744	-
Subtotal for economic and community development	<u>1,312,532</u>	<u>867,710</u>	<u>444,822</u>
<b>Transportation</b>			
Rural Planning Organization	132,969	132,969	-
Mountain Mobility Admin	307,246	267,396	39,850
RIDE-(5317) New Freedom	175,879	110,730	65,149
Mountain Mobility-5317-EDTAP	30,300	24,085	6,215
Mountain Mobility Admin - RIDE	20,187	24,844	(4,657)
French Broad River MPO	387,636	316,138	71,498
FBR MPO Special Studies	687,500	123,039	564,461
TDM Coordinator	90,000	79,825	10,175
Buncombe Co NEMT Medical Transportation	1,016,000	769,561	246,439
Subtotal for transportation	<u>2,847,717</u>	<u>1,848,587</u>	<u>999,130</u>
<b>Workforce development</b>			
MAWD - Administration	162,878	113,967	48,911
MAWD Incumb Worker Program	9,850	9,850	-
MAWD Adult Services	853,516	605,516	248,000
MAWD Enhancement Planning Grant	30,000	30,000	-
MAWD Maximize Carolina - Admin	7,050	-	7,050
MAWD Maximize Carolina	70,500	10,536	59,964
MAWD-Dislocated Worker Services	599,967	425,683	174,284
MAWD-Youth Svcs(out of school)	535,937	439,479	96,458

**LAND OF SKY REGIONAL COUNCIL**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL (CONTINUED)**  
For the Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
MAWD Youth Svcs (In School)	156,651	134,945	21,706
MAWD - Infrastructure	22,589	-	22,589
MAWD - Cost Sharing - Brochures	2,829	239	2,590
MAWD Upskill Innovation Grant	250,000	183,847	66,153
MAWD - Career Pathways-Advanced Mfg Impl #2	150,000	150,000	-
MAWD-Career Pathways Contractor	32,043	32,043	-
MAWD - Career Pathways - Planning Grant-Hospitality	8,275	8,275	-
MAWD - Career Pathways-Advanced Mfg Impl #1	64,638	64,278	360
MAWD - Career Pathways-Hospitality Impl #1	75,321	46,774	28,547
MAWD-Career Pathways Contractor #2	36,000	31,400	4,600
MAWD-Dislocated Worker Services-Contingency	200,000	200,000	-
Subtotal for workforce development	<u>3,268,044</u>	<u>2,486,832</u>	<u>781,212</u>
Total expenditures	<u>13,967,352</u>	<u>11,046,760</u>	<u>2,920,592</u>
Fund balance appropriated	<u>180,000</u>	<u>-</u>	<u>180,000</u>
Net change in fund balance	<u>\$ -</u>	<u>265,383</u>	<u>\$ 265,383</u>
Fund balance, beginning		<u>2,339,979</u>	
Fund balance, ending		<u>\$ 2,605,362</u>	

**LAND OF SKY REGIONAL COUNCIL**  
**GENERAL FUND**  
**INDIRECT COST CENTER - COMPUTATION OF**  
**INDIRECT COST ALLOCATION RATE**  
**For the Year Ended June 30, 2018**

Personnel Expenditures	
Salaries	\$ 414,162
Fringe Benefits	137,834
	<u>551,996</u>
Operating Expenditures	
Occupancy costs	185,982
Technology	131,373
Professional services	38,944
Leased equipment	26,328
Telephone and postage	25,118
Travel and training	13,596
Dues and subscriptions	17,856
Supplies	18,347
Copy and printing	10,116
Insurance	7,851
Repairs and maintenance	8,116
Retiree health	5,869
Miscellaneous	4,113
	<u>493,609</u>
Total indirect costs	<u>1,045,605</u>
Carryforward adjustment from prior year	<u>(157,416)</u>
Adjusted total indirect cost	<u>\$ 888,189</u>
Total personnel expenditures	\$ 2,918,332
Less personnel expenditures in indirect cost pool	551,996
Total personnel expenditures earning indirect costs	<u>\$ 2,366,336</u>
Allocation rate computation	
Indirect costs	\$ 1,045,605
Divided by personnel expenditures earning indirect costs	<u>2,366,336</u>
Allocation rate - as computed	<u>44.19%</u>
Indirect costs compared to provisional indirect amount	
Personnel expenditures earning indirect costs	\$ 2,366,336
Provisional rate	<u>37.29%</u>
Provisional indirect amount	882,407
Total indirect costs	888,189
Provisional indirect costs under actual indirect costs	<u>\$ (5,782)</u>



**LAND OF SKY REGIONAL COUNCIL**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**AGENCY FUNDS**  
 For the Year Ended June 30, 2018

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	<u>Black Mountain Commerce Park</u>	<u>CarolinaWest</u>	<u>WNC Highway Corridors</u>	<u>Total Agency Funds</u>
Assets:				
Cash	<u>\$ 52,580</u>	<u>\$ 28,804</u>	<u>\$ 4,020</u>	<u>\$ 85,404</u>
Liabilities:				
Held in trust for other purposes	<u>\$ 52,580</u>	<u>\$ 28,804</u>	<u>\$ 4,020</u>	<u>\$ 85,404</u>

**COMPLIANCE SECTION**



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**INDEPENDENT AUDITORS' 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 Delegates  
Land of Sky Regional Council  
Asheville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Land of Sky Regional Council as of and for the year ended 2018, and the related notes to the financial statements, which collectively comprises Land of Sky Regional Council's basic financial statements, and have issued our report thereon dated October 30, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Land of Sky Regional Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Land of Sky Regional Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness: 2018-1.

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Land of Sky Regional Council'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 is required to be reported under *Government Auditing Standards*.

## **Land of Sky Regional Council's Response to Findings**

Land of Sky Regional Council's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Land of Sky Regional Council's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cannon & Company, L.L.P.*

Winston-Salem, North Carolina

October 30, 2018



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Certified Public Accountants L.L.P.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE  
UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

Board of Delegates  
Land of Sky Regional Council  
Asheville, North Carolina

**Report on Compliance for Each Major Federal Program**

We have audited Land of Sky Regional Council's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Land of Sky Regional Council's major federal programs for the year ended June 30, 2018. Land of Sky Regional Council's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Land of Sky Regional Council's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Land of Sky Regional Council's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Land of Sky Regional Council's compliance.

## Opinion on Each Major Federal Program

In our opinion, Land of Sky Regional Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## Report on Internal Control Over Compliance

Management of Land of Sky Regional Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

A deficiency *in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Cannon & Company, L.L.P.*

October 30, 2018



cannon&company  
Certified Public Accountants L.L.P.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR STATE PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE AND THE  
STATE SINGLE AUDIT IMPLEMENTATION ACT**

Board of Delegates  
Land of Sky Regional Council  
Asheville, North Carolina

**Report on Compliance for Each Major State Program**

We have audited Land of Sky Regional Council's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Land of Sky Regional Council's major state programs for the year ended June 30, 2018. Land of Sky Regional Council's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Land of Sky Regional Council's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 US *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Land of Sky Regional Council's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Land of Sky Regional Council's compliance.

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## **Opinion on Each Major State Program**

In our opinion, Land of Sky Regional Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

## **Report on Internal Control over Compliance**

Management of Land of Sky Regional Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Cannon & Company, L.L.P.*

October 30, 2018



**LAND OF SKY REGIONAL COUNCIL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2018

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**Section I - Summary of Independent Auditors' Results**

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u>  X  </u> Yes	<u>      </u> No
Significant deficiency(s)	<u>      </u> Yes	<u>  X  </u> None reported
Noncompliance material to financial statements noted?	<u>      </u> Yes	<u>  X  </u> No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	<u>      </u> Yes	<u>  X  </u> No
Significant deficiency(s) identified	<u>      </u> Yes	<u>  X  </u> None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?        Yes   X   No

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	Workforce Innovation and Opportunity Act Cluster:
17.258	WIOA Adult Program
17.259	WIOA Youth Activities
17.278	WIOA Dislocated Worker Formula Grants
	Aging Cluster:
93.044	Special Programs for the Aging - Title III - Part B Grants for Supportive Services and Senior Centers
93.045	Special Programs for the Aging - Title III -Part C Nutrition Services
93.053	Nutrition Services Incentive Program
94.016	Senior Companion Program
66.818	Brownfields Assessment & Cleanup Cooperative Agreements

**LAND OF SKY REGIONAL COUNCIL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
For the Year Ended June 30, 2018

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Dollar threshold used to distinguish between Type A  
and Type B programs \$ 750,000

Auditee qualified as low-risk auditee?  X  Yes   No

State Awards

The only major State program was a State match to the Aging Cluster.

**Section II - Financial Statement Findings**

MATERIAL WEAKNESS

**2018-1** Over Appropriation of Fund Balance

Criteria: Fund Balance should be appropriated only to the extent that it is shown as available. Fund Balance appropriations should be done only as absolutely necessary and every effort made to balance the budget without Fund Balance appropriations.

Condition: Fund Balance of \$180,000 was appropriated in the budget for the year ended June 30, 2018. The fund balance available for the year ended June 30, 2017 was (\$708,733).

Effect: Available Fund Balance appropriated in the budget is insufficient.

Cause: Fund Balance appropriated in the budget was over appropriated.

Recommendation: The budgeting process should closely monitor any Fund Balance appropriations to insure that there is sufficient availability. Fund Balance appropriations should be done only as absolutely necessary and every effort made to balance the budget without fund balance appropriations.

Views of responsible officials and planned corrective actions: The Council agrees with this finding and will adhere to the corrective action plan on page 67 in this audit report.

**Section III - Federal Award Findings and Questioned Costs**

None reported.

**Section IV - State Award Findings and Questioned Costs**

None reported.

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**LAND OF SKY REGIONAL COUNCIL**  
**CORRECTIVE ACTION PLAN**  
For the Year Ended June 30,  
2018

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**Section II - Financial Statement Findings**

MATERIAL WEAKNESS

**2018-1** Over Appropriation of Fund Balance

Name of Contact Person: Justin Hembree, Executive Director

Corrective Action: Management and the governing board will closely monitor the budget with particular attention to fund balance appropriation. A focus will be on reducing the need for fund balance appropriation.

Proposed Completion Date: The Council will implement the above procedures immediately.

**Section III – Federal Award Findings and Questioned Costs**

None reported.

**Section IV – State Award Findings and Questioned Costs**

None reported.

**LAND OF SKY REGIONAL COUNCIL**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
For the Year Ended June 30, 2018

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There were no prior audit findings.

LAND OF SKY REGIONAL COUNCIL  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the Year Ended June 30, 2018

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures		Passed Through to Subrecipients
			Federal	State	
<b>FEDERAL AWARDS</b>					
U.S. DEPARTMENT OF AGRICULTURE					
Rural Energy for America Program	10.868	N/A	\$ 42,396	\$ -	\$ -
Solid Waste Management Grants	10.762	N/A	111,155	-	-
<b>Total U.S. Department of Agriculture</b>			<u>153,551</u>	<u>-</u>	<u>-</u>
U.S. DEPARTMENT OF COMMERCE					
Economic Development-Support for Planning Organizations	11.302	N/A	100,563	-	-
<b>Total U.S. Department of Commerce</b>			<u>100,563</u>	<u>-</u>	<u>-</u>
U.S. DEPARTMENT OF ENERGY					
Conservation Research and Development	81.086	N/A	74,422	-	-
Passed through Triangle J Council of Governments:					
Conservation Research and Development	81.086	TJCOG-SADI-009.2	2,021	-	-
<b>Total U.S. Department of Energy</b>			<u>76,443</u>	<u>-</u>	<u>-</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Passed through the N.C. Department of Health & Human Services:					
Passed through the Division of Aging and Adult Services:					
Special Programs for the Aging -					
Title VII, Chapter 3-Programs for Prevention of Elder Abuse, Neglect & Exploitation	93.041	17/18AANCT7EA	6,161	361	-
Title VII, Chapter 2-Long Term Care Ombudsman Services for Older Individuals	93.042	17/18AANCT7OM	64,820	3,813	-
Title III, Part D-Disease Prevention & Health Promotion Services	93.043	17/18AANCT3PH	26,428	1,554	-
<b>Total Special Programs for the Aging</b>			<u>97,409</u>	<u>5,728</u>	<u>-</u>
Aging Cluster					
Special Programs for the Aging - Title III-B					
Title III, Part B-Grants for Supportive Services & Senior Centers	93.044	17/18AANCT3SS	720,746	1,412,300	1,856,395
Special Programs for the Aging - Title III-B			<u>720,746</u>	<u>1,412,300</u>	<u>1,856,395</u>
Special Programs for the Aging - Title III-C					
Title III, Part C1, Nutrition Services	93.045	17/18AANCT3CM	320,694	18,516	247,594
Title III, Part C2, Nutrition Services	93.045	17/18AANCT3HD	219,353	222,042	441,395
Nutrition Services Incentive Program (NSIP)	93.053	17/18AANCNSIP	118,122	-	118,122
<b>Total Aging Cluster</b>			<u>1,378,915</u>	<u>1,652,858</u>	<u>2,663,506</u>
National Family Caregiver Support - Title III-E					
Social Services Block Grant	93.052	17/18AANCT3FC	260,998	17,012	67,459
Passed through NC Dept.of Insurance, SHIIP Division	93.667	N/A	102,135	2,918	105,053
Medicare Enrollment Assistance Program	93.071	14AANCMAAA & 14AANCMADR	20,754	-	20,754
Passed through the University of North Carolina at Asheville:					
Evidence-Based Falls Prevention Programs	93.761	18-007	9,704	-	-
Empowering Older Adults & Adults with Disabilities Through Chronic Disease Self-Management Education	93.734	16-004	6,940	-	-
<b>Total U.S. Department of Health and Human Services</b>			<u>1,876,855</u>	<u>1,678,516</u>	<u>2,856,772</u>
U.S. DEPARTMENT OF LABOR					
Passed through NC Department of Commerce, Division of Workforce					
WIOA-Adult Program	17.258	N/A	635,516	-	350,707
WIOA-Dislocated Worker Formula Grants	17.278	N/A	635,533	-	344,358
WIOA-Youth Activities	17.259	N/A	758,509	-	713,325
WIOA-Administrative Cost Pool	17.258-17.278	NA	113,968	-	-
<b>Total Workforce Innovation and Opportunity Act Cluster</b>			<u>2,143,526</u>	<u>-</u>	<u>1,408,390</u>
WIOA National Dislocated Worker Grants/WIA National Emergency Grants	17.277	N/A	332,770	-	-
Passed through NC Department of Health and Human Services					
Senior Community Service Employment Program	17.235	00036340	158,137	-	-
Passed through Senior Service America, Inc.					
Senior Community Service Employment Program	17.235	NC334	206,808	-	-
<b>Total U.S. Department of Labor</b>			<u>2,841,241</u>	<u>-</u>	<u>1,408,390</u>
APPALACHIAN REGIONAL COMMISSION					
Appalachian Area Development	23.002	NC-706-B-C44-17	41,044	-	-
Appalachian Area Development	23.002	NC-706-B-C45-R1-18	31,766	-	-
Appalachian Area Development	23.002	NC-18709-17	827	-	-
<b>Total Appalachian Regional Commissior</b>			<u>73,637</u>	<u>-</u>	<u>-</u>

**LAND OF SKY REGIONAL COUNCIL**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
For the Year Ended June 30, 2018

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures		Passed Through to Subrecipients
			Federal	State	
<b>U.S. DEPARTMENT OF TRANSPORTATION, FEDERAL HIGHWAY ADMINISTRATION:</b>					
Passed through NC Department of Transportation					
Highway Planning Construction	20.205	C-5564/WBS 44110.3.1	19,834	-	-
Highway Planning Construction, State Planning & Research/PL 104(f) Funds	20.205-5	WBS 47615.1.7	252,911	-	-
Highway Planning Construction, State Planning & Research/PL 104(f) Funds	20.205-5	WBS 47616.1.4	134,359	-	94,446
Highway Planning Construction, State Planning & Research Rural Planning Organization Program	20.205-8	WBS 47551.1.9	106,375	-	-
Enhanced Mobility of Seniors & Individuals With Disabilities	20.513	18-ED-932	11,000	-	-
Passed through City of Asheville					
Enhanced Mobility of Seniors & Individuals With Disabilities	20.513	NC-2017-035-00	12,239	-	-
<b>Total Federal Highway Administration</b>			<u>536,718</u>	<u>-</u>	<u>94,446</u>
<b>ENVIRONMENTAL PROTECTION AGENCY</b>					
Nonpoint Source Implementation Grants	66.46	7077	24,059	-	23,547
Source Reduction Assistance	66.717	X9-00D52216	21,532	-	-
Brownsfields Assessment and Cleanup Cooperative Agreements	66.818	N/A	-	-	-
<b>Total Environmental Protection Agency</b>			<u>45,591</u>	<u>-</u>	<u>23,547</u>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>					
Foster Grandparent/Senior Companion Cluster					
Foster Grandparent Program	94.011	17SFSNC001	318,602	-	-
Senior Companion Program	94.016	17SFSNC001	303,876	-	-
Total FGP/SCP Cluster			<u>622,478</u>	<u>-</u>	<u>-</u>
<b>Total Corporation for National and Community Service</b>			<u>622,478</u>	<u>-</u>	<u>-</u>
<b>Total Federal Awards</b>			<u>6,327,077</u>	<u>1,678,516</u>	<u>4,383,155</u>
<b>STATE AWARDS</b>					
N.C. Department of Environmental Quality					
Waste Reduction Partners-Solid Waste Reduction Grant		6501	-	50,000	-
Waste Reduction Partners-Energy Technical Assistance for USI Program		6842	-	626	-
<b>Total N.C. Department of Environmental Quality</b>			<u>-</u>	<u>50,626</u>	<u>-</u>
N.C. Department of Health and Human Services					
Division of Aging and Adult Services					
Senior Center General Purpose Funding		N/A	-	32,817	32,817
State AAA Administrative Cost		N/A	-	48,261	-
<b>Total N.C. Department of Health and Human Services</b>			<u>-</u>	<u>81,078</u>	<u>32,817</u>
N.C. Department of Commerce					
Appalachian Regional Commission-Local Government Technical Assistance		CWP-17-B	-	17,510	-
Appalachian Regional Commission-Local Government Technical Assistance		CWP-18-B	-	16,998	-
<b>Total N.C. Department of Commerce</b>			<u>-</u>	<u>34,508</u>	<u>-</u>
N.C. Department of Transportation					
FY2016 Rideshare Program		WBS 36225.10.3.1	-	39,912	-
<b>Total N.C. Department of Transportation</b>			<u>-</u>	<u>39,912</u>	<u>-</u>
N.C. Tobacco Trust Fund Commission					
Agriculture Plastics Recycling		2016-015-06	-	37,026	-
<b>Total N.C. Tobacco Trust Fund Commission</b>			<u>-</u>	<u>37,026</u>	<u>-</u>
<b>Total State Awards</b>			<u>-</u>	<u>243,150</u>	<u>32,817</u>
<b>Total Federal and State Awards</b>			<u>\$ 6,327,077</u>	<u>\$ 1,921,666</u>	<u>\$ 4,415,972</u>

**LAND OF SKY REGIONAL COUNCIL**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
For the Year Ended June 30, 2018

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Notes to the Schedule of Expenditures of Federal and State Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Land of Sky Regional Council and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. The schedule is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

2. Indirect Cost Rate

Land of Sky Regional Council has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Loans Outstanding

Land of Sky Regional Council had the following loan balance outstanding at June 30, 2018. Loans were made in prior years and were included in the prior years' SEFSAs. Balances and transactions related to these programs are included in the Council's basic financial statements.

Program Title	CFDA Number	Pass-through	
		Grantor's Number	Amount Outstanding
Brownfields Assessment & Cleanup Cooperative Agreements	66.818	-	\$ 983,613