



FINANCIAL STATEMENTS
Year Ended June 30, 2009

LAND-OF-SKY REGIONAL COUNCIL
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Elizabeth Keel, pllc

CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

To the Board of Directors
Land-of-Sky Regional Council
Asheville, North Carolina

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Land-of-Sky Regional Council (the "Council"), as of and for the year ended June 30, 2009, which collectively comprise the Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Land-of-Sky Regional Council as of June 30, 2009, and the respective changes in financial position and cash flows, thereof and the respective budgetary comparison of the general fund and special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 09, 2009 on our consideration of the Land-of-Sky Regional Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to

describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of The Land-of-Sky Regional Council. The supplementary information, as well as the accompanying schedule of expenditures of federal and State Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Elizabeth Keel, pllc

Elizabeth Keel, pllc
Certified Public Accountant
October 09, 2009

LAND-OF-SKY REGIONAL COUNCIL

Management's Discussion and Analysis

June 30, 2009

This section of the Land-of-Sky Regional Council's (the Council) financial report represents our discussion and analysis of the financial performance of the Council for the year ended June 30, 2009. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The assets of the Council exceeded its liabilities at the close of the fiscal year by \$591,893 (*net assets*).
- The Council's total net assets increased by \$50,545 or 9.3% due primarily to the affect of a 4.15% permanent financing rate, for the capital lease of office space, on noncurrent liabilities. \$34,114 was spent to complete planned and funded improvements during fiscal year 2009. An additional \$34,312, Council's allocated portion, was charged in closing costs during the completion of Buncombe County's permanent financing for the Leicester Crossing property.
- As of the close of the current fiscal year, the Council's governmental funds reported combined ending fund balances of \$683,428, an increase of \$99,394 in comparison with the prior year. Approximately 44% of this total amount or \$299,769 is available for spending at the Council's discretion (*unreserved fund balance*).
- At the end of the fiscal year unreserved fund balance for the General Fund was \$299,769 or 195.6% of total general fund expenditures for the fiscal year.

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 as follows: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the Council's finances 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.

Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the *government-wide statements*. They provide both short and long-term information about the Council's financial status. The next statements (Exhibits C through G) 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 two parts to the fund financial statements: 1) the governmental funds statements and 2) the budgetary comparison 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 non-major governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

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 assets and how they have changed. Net assets are the difference between the Council's total assets and total liabilities. Measuring net assets is one way to gauge the Council's financial condition.

Government-wide financial statements may be divided into as many as 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, and transportation planning services. State and federal grants and contributions from regional non-profits, supporting entities and local governments comprising the service area of the Council finance most of these activities.

Fund Financial Statements

The fund financial statements 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. Land-of-Sky Regional 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. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps to determine if there are more or less financial resources available to finance the Council's programs. The relationship between governmental activities (reported in the Statement of Net Assets 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 and Special Revenue Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the constituent member local governments, the management of the Council, and the decisions of 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 and the Special Revenue 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, 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 and Special Revenue Fund, and 4) the difference or variance between the final budget and the

actual resources and charges.

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 start on page 20 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain supplementary information concerning the Council's Special Revenue Fund and Fiduciary Funds. Other information can be found beginning on page 32 of this report.

Government-Wide Financial Analysis

Table 1
Condensed Statement of Net Assets
June 30, 2009

	Governmental Activities	
	2009	2008
Current assets	\$ 1,316,100	\$ 1,027,679
Capital assets	2,271,440	2,293,281
Total assets	3,587,540	3,320,960
Current liabilities	712,723	459,376
Long-term liabilities	2,282,923	2,320,236
Total liabilities	2,995,646	2,779,612
Net assets:		
Invested in capital assets, net of related debt	13,034	52,716
Unrestricted	578,859	488,632
Total net assets	\$ 591,893	\$ 541,348

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Council exceeded liabilities by \$591,893 as of June 30, 2009. The Council's net assets increased by \$50,545 for the fiscal year ended June 30, 2009. No restriction applies to the Council's net assets. 3% of the net assets amount reflects the Council's investment in capital assets (office space, office and computer equipment and software) less any related capital lease outstanding that was issued to acquire those items. The Council uses these capital assets to provide services to constituent local government members; consequently these assets are not available for future spending. The remaining balance of \$578,859 (97%) is unrestricted.

Table 2
Condensed Statement of Activities
June 30, 2009

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,111,446	\$ 586,671
Operating grants and contributions	6,152,209	5,743,540
General Revenues		
Local governmental dues	109,140	110,195
Grants and contributions not restricted to specific programs	125,213	134,821
Unrestricted investment earnings	2,224	8,124
Total revenues	<u>7,500,232</u>	<u>6,583,351</u>
Expenses:		
Governmental activities:		
Management and business operations	174,737	107,841
Economic and Community Development	1,515,268	1,155,186
Human Services	4,952,423	4,729,009
Environmental Protection	397,085	413,181
Transportation	410,174	152,267
Total expenses	<u>7,449,687</u>	<u>6,557,484</u>
Change in net assets	<u>50,545</u>	<u>25,867</u>
Net assets, July 1	<u>541,348</u>	<u>515,481</u>
Net assets, June 30	<u>\$ 591,893</u>	<u>\$ 541,348</u>

Governmental activities. Governmental activities increased the Council's net assets by \$50,545. A key element of this increase was the increase in economic development activities committed to supporting member governments.

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. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year. The General Fund accounts for all unrestricted resources and provides the local matching share for grants accounted for in the Special Revenue Fund through transfers. At the end of the fiscal year, unreserved fund balance of the General Fund was \$299,769 while total fund balance was \$709,768. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures, net of acquisitions funded through capital lease arrangements. Unreserved fund balance represents 196% of normal General Fund expenditures and transfers, while total fund balance represents 446% of that same amount. At June 30, 2009 the governmental funds of the Council reported a total combined fund balance of \$591,893 representing an 17% increase over last year.

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 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 General Fund, other than those funded through capital lease arrangements, increased revenues by \$5,494. However, amendments to the Special Revenue Fund budget added \$1,217,047 to revenues. Significant amounts are as follows: Economic and Community Development Services - \$225,716, Human Services - \$415,073, Environmental Protection Services - \$363,503 and Transportation Planning Services - \$207,261.

The most significant relationships evident in the charts below are those between program revenues and administrative revenues as well as program disbursements and administrative disbursements. For councils of government in general and likewise for Land of Sky Regional Council, a significant percentage of program revenues are available for the programs for which they are intended. The same is true for disbursements. Costs associated with the administration of programs is small compared to the funds that remain available to federal and state award programs.

Capital Asset and Debt Administration

Capital assets. The Council's capital assets for all governmental-type activities as of June 30, 2009, totals \$2,271,440 net of accumulated depreciation. These assets include office space and leasehold improvements, a hybrid car, office and computer equipment and software. Major capital asset transactions during the year included completion of leasehold improvements in the office space at 339 New Leicester Hwy, Stes 130 & 140 and closing costs related to Buncombe County's permanent financing. Purchase of new servers and software and other office equipment amounted to \$37,270.

Table 3, below provides a summary of capital assets for Land of Sky Regional Council at June 30, 2009.

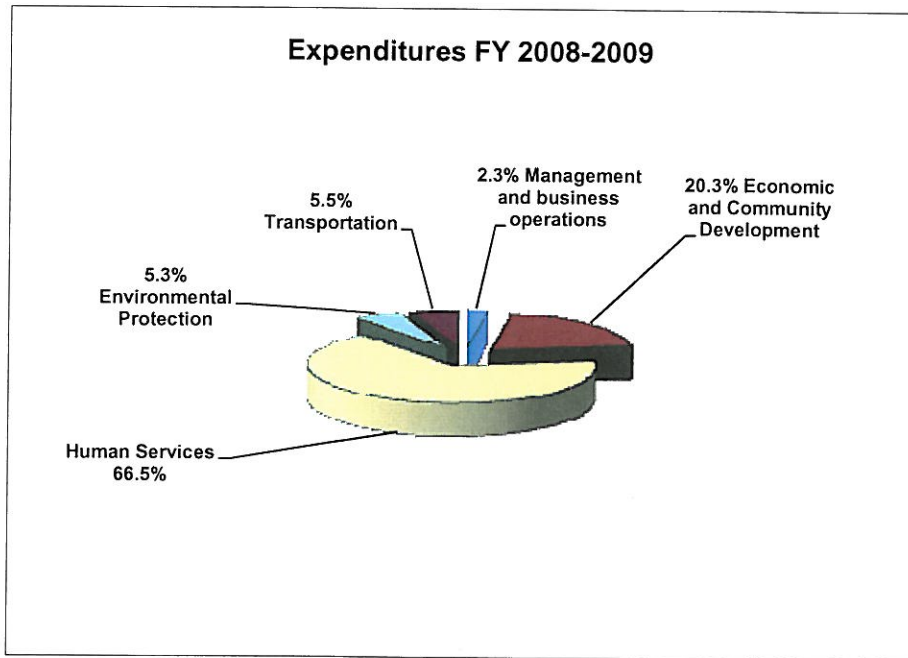
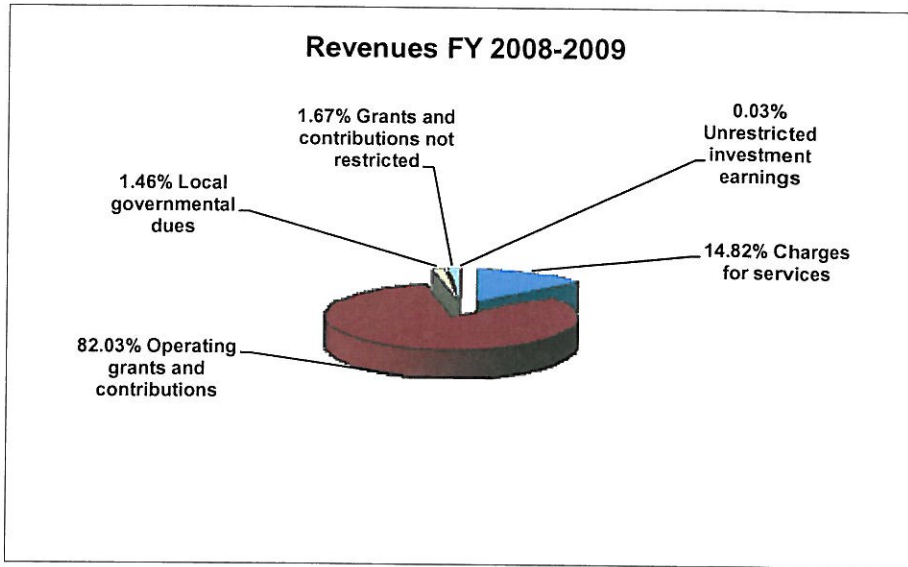


Table 3
Summary of Capital Assets
(Net of Depreciation)
As of June 30, 2009

Additional information on the Council's capital assets can be found in Note 2(a) of the Basic Financial Statements.

	Governmental Activities	
	2009	2008
Office space and leasehold improvements	\$ 2,130,673	\$ 2,150,682
Leasehold improvements in progress	21,268	\$ 21,268
Vehicle	12,726	16,362
Administration equipment	80,310	84,287
Aging section equipment	737	1,592
Local government services section equipment	25,726	18,263
Total	\$ 2,271,440	\$ 2,292,454

Table 4
Summary of Capital Leases
As of June 30, 2009

As of June 30, 2009, the outstanding debt of the Council consisted of \$2,258,406 of capital leases related to the Council facilities as well as for a government vehicle.

	Governmental Activities	
	2009	2008
Capital leases		
General office equipment	\$ 41,243	\$ 50,026
Vehicle	3,440	11,127
Leasehold improvements	70,000	70,000
Office space	2,143,723	2,109,411
	\$ 2,258,406	\$ 2,240,564

Additional information for capital leases can be found in Note 3 of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

- With the office space at 339 Leicester Crossing, Suite 140, the Council has been able to establish a stable and controllable environment as a facility. Buncombe County's permanent financing, completed in the summer of 2009, resulted in an additional \$34,312 as the Council's share of closing costs and confirmed an advantageous rate of 4.15%. As a result of this financing

arrangement, for the next twenty-five years, the Council will pay equal, semi-annual payments to Buncombe County at the same rate as the County debt. Upon satisfaction of the principal of the capital lease, the Council will have the option to purchase the premises for \$500.

- Leasehold improvements for Suite 140 were completed in fiscal year 2009. The Council continues to explore options for the upfitting of the additional 3,000 square feet in Suite 130.
- The State Council of Government Funds Appropriation continues to be impacted by the downturn in the national economy and State revenue projections. The Appropriation for FY 2010 is \$25,000, 42% of FY 2008 appropriation and significantly decreased from FY 2009.
- With the American Recovery and Reinvestment Act, ARRA, the Council has committed personnel and resources to assisting our member governments with applications for ARRA appropriate projects. Successful projects using ARRA funds include: Town of Mars Hill Infrastructure and a multitude of FHWA projects for local jurisdictions. Council staff continue these efforts as well as providing technical assistance for the administration of several of these awards.
- Additional ARRA funds have been awarded to the Older Americans Service Experience Program; through the Division of Aging and Adult Service, to the Congregate and Home-Delivered Meal Providers; through the NC Dept of Environment and Natural Resources for Water Resource Management in the French Broad Basin; from the Dept of Energy, as a subcontract with Triangle J COG, for Carolina Blue Skies and Clean Energy Jobs; from the US Forest Service for a Cooperative Marketing Network in WNC
- The Council's nationally-recognized Regional Brownfields program helps promote development of industrial sites for local governments in our region. With an ARRA award of \$660,000 for a Brownfield Supplemental Revolving Loan Fund, we will continue these development efforts.
- The Clean Energy Economic Development for western North Carolina is being supported with a variety of funding sources. The \$400,000 award from the North Carolina Rural Economic Development Center continues and is integrated with new activity supported by \$100,000 of ARRA funds from the Economic Development Administration.
- The Linking Lands and Communities project promotes land conservation planning from many aspects and has received current funding from the Federal Highway Administration, Z Smith Reynolds Foundation and the Lyndhurst Foundation.
- A reduction in force was implemented for the Volunteer Services Department due to reduced funding from the Corporation for National Service. This affected one part-time position, decreasing from .5 FTE to .2 FTE. An additional reduction in force is taking place in the Transportation Team due to the loss of over \$700,000 in reserve funds that had been expected to be available for future support specific to the transportation planning.
- Due to the economic climate, the Council did not give any cost-of-living raises with the FY 2010 budget.

Requests for Information

This report is intended to provide a summary of the financial condition of the Council. Questions or requests for additional information should be addressed to:

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(828) 251-6622
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e-mail: peggy@landofsky.org

Statement of Net Assets

For the Year Ended June 30, 2009

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash and investments	\$ 326,109
Due from other governments	978,976
Accounts and notes receivable	10,607
Prepaid items	408
Total current assets	<u>1,316,100</u>
Capital assets	
Office space, net of depreciation	2,151,941
Equipment, net of depreciation	<u>119,499</u>
Total assets	<u><u>\$ 3,587,540</u></u>
Liabilities	
Current liabilities	
Accounts payable	\$ 396,074
Accrued liabilities	106,257
Unearned revenue, including Revolving Loan Fund	126,992
Current portion of obligations under capital leases	83,400
Total current liabilities	<u>712,723</u>
Noncurrent liabilities	
Noncurrent portion of obligations under capital leases	2,175,006
Accrued vacation	107,917
Total noncurrent liabilities	<u>2,282,923</u>
Net assets	
Invested in capital assets, net of related debt	13,034
Unrestricted	<u>578,859</u>
Total net assets	<u><u>\$ 591,893</u></u>

The accompanying notes are an integral part of these financial statements.

LAND-OF-SKY REGIONAL COUNCIL

Exhibit B

Statement of Activities

For the Year Ended June 30, 2009

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Revenue and Changes in Net Assets</u>
				<u>Primary Government</u>
				<u>Governmental Activities</u>
Governmental activities				
Management and Business Operations	\$ 174,737	\$ 21,405	\$ 122,625	\$ (30,707)
Economic and Community Development	1,515,268	332,412	1,028,386	(154,470)
Human Services	4,952,423	81,122	4,870,446	(855)
Environmental Protection	397,085	272,122	124,963	-
Transportation	410,174	404,385	5,789	-
Total primary government	<u>\$ 7,449,687</u>	<u>\$ 1,111,446</u>	<u>\$ 6,152,209</u>	<u>(186,032)</u>
		General revenues		
		Local governmental dues		109,140
		Grants and contributions not restricted to specific programs		125,213
		Unrestricted investment earnings		2,224
		Total general revenues		<u>236,577</u>
		Change in net assets		50,545
		Net assets - beginning		<u>541,348</u>
		Net assets - ending		<u>\$ 591,893</u>

The accompanying notes are an integral part of these financial statements.

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LAND-OF-SKY REGIONAL COUNCIL

Balance Sheet - Governmental Funds

For the Year Ended June 30, 2009

	<u>Major Funds</u>		<u>Total</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	
<u>Assets</u>			
Assets:			
Cash and investments	\$ 326,109	\$ -	\$ 326,109
Accounts receivable:			
Federal and state agencies	9,159	936,968	946,127
Local governmental agencies	-	29,500	29,500
Other	359	648	1,007
Notes receivable for Revolving Loan Fur	-	9,600	9,600
Due from Special Revenue Fund	373,733	-	373,733
Prepaid items	408	-	408
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 709,768</u>	<u>\$ 976,716</u>	<u>\$1,686,484</u>
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 16,660	\$ 14,570	\$ 31,230
Due to subrecipients/service providers	-	364,844	364,844
Accrued salaries	1,594	104,663	106,257
Unearned revenue	8,086	118,906	126,992
Due to General Fund	-	373,733	373,733
Total liabilities	<u>26,340</u>	<u>976,716</u>	<u>1,003,056</u>
 Fund balances:			
Reserved by State statute	383,251	-	383,251
Reserved for prepaid items	408	-	408
Unreserved and undesignated	299,769	-	299,769
Total fund balances	<u>683,428</u>	<u>-</u>	<u>683,428</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 709,768</u>	<u>\$ 976,716</u>	<u>\$1,686,484</u>

The accompanying notes are an integral part of these financial statements.

LAND-OF-SKY REGIONAL COUNCIL

Balance Sheet - Governmental Funds

For the Year Ended June 30, 2009

	<u>Major Funds</u>		
	<u>General</u>	<u>Special</u>	
	<u>Fund</u>	<u>Revenue</u>	
		<u>Fund</u>	<u>Total</u>
Amounts reported for governmental activities in the statement of net assets are different because:			
Ending fund balances - governmental funds			\$ 683,428
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			2,271,440
Some liabilities, including capital lease obligations and accrued vacation are not due and payable in the current period and therefore are not reported in the funds.			<u>(2,362,975)</u>
Net assets of governmental activities			<u>\$ 591,893</u>

LAND-OF-SKY REGIONAL COUNCIL

Exhibit D

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds**

For the Year Ended June 30, 2009

	Major Funds		Total Governmental Funds
	General Fund	Special Revenue Fund	
Revenues:			
Federal government	\$ -	\$ 4,257,474	\$ 4,257,474
State of North Carolina	8,000	2,247,014	2,255,014
Local governmental agencies	-	156,854	156,854
Local government membership dues	72,124	145,541	217,665
Private	24,913	123,972	148,885
In-kind	89,712	335,564	425,276
Interest income	2,224	583	2,807
Other	21,405	14,852	36,257
Total revenue	218,378	7,281,854	7,500,232
Expenditures:			
Management and Business Operations	153,296	-	153,296
Economic and Community Development	-	1,523,027	1,523,027
Human Services	-	4,951,568	4,951,568
Environmental Protection	-	397,085	397,085
Transportation	-	410,174	410,174
Total expenditures	153,296	7,281,854	7,435,150
Revenues over (under) expenditures	65,082	-	65,082
Other financing sources (uses):			
Proceeds from capital lease	34,312	-	34,312
Appropriated Fund Balance	-	-	-
Transfers from (to) other funds	-	-	-
	34,312	-	34,312
Net change in fund balances	99,394	-	99,394
Fund balances - beginning of year	584,034	-	584,034
Fund balances - ending of year	\$ 683,428	\$ -	\$ 683,428

LAND-OF-SKY REGIONAL COUNCIL

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

For the Year Ended June 30, 2009

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

Net change in fund balances - total governmental funds \$ 99,394

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 in the current period.

Capital outlay expenditures which were capitalized	105,696	
Depreciation expense for governmental assets	<u>(126,710)</u>	(21,014)

The incurrence of capital lease obligations provides current financial resources to governmental funds, while the repayment of the principal of capital lease obligations consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets.

This amount is the proceeds from the capital lease.	(34,312)
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This amount is the total principal payments made under capital lease obligations.	16,470
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Some expenses reported in the statement of activities do not require the use of current financial resources in governmental funds - compensated absences

(9,993)

Change in net assets of governmental activities	<u>\$ 50,545</u>
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LAND-OF-SKY REGIONAL COUNCIL

Statement of Revenues, Expenditures and Changes in Fund Balances Annual Budget and Actual General and Annually Budgeted Major Special Revenue Funds

For the Year Ended June 30, 2009

	General			Variance with Final Budget Positive (Negative)
	Budget		Actual	
	Original	Final		
Revenues:				
Federal government	\$ -	\$ -	\$ -	\$ -
State of North Carolina	8,000	8,000	8,000	-
Local governmental agencies and membership dues	82,222	72,125	72,124	(1)
Private	20,840	22,639	24,913	2,274
In-kind	-	-	89,712	89,712
Interest income	6,000	6,000	2,224	(3,776)
Contingency	-	-	-	-
Other	16,226	20,018	21,405	1,387
Total revenue	133,288	128,782	218,378	89,596
Expenditures:				
Management and Business Operations	133,288	138,782	153,296	(14,514)
Economic and Community Development	-	-	-	-
Human Services	-	-	-	-
Environmental Protection	-	-	-	-
Transportation	-	-	-	-
Total expenditures	133,288	138,782	153,296	(14,514)
Revenues over (under) expenditures	-	(10,000)	65,082	75,082
Other financing sources (uses):				
Proceeds from capital lease	-	-	34,312	34,312
Appropriated Fund Balance	10,000	10,000	-	-
Total other financing sources (uses)	10,000	10,000	34,312	34,312
Net change in fund balances	\$ -	\$ -	99,394	\$ 109,394
Fund balances - beginning of year			584,034	
Fund balances - ending of year			\$ 683,428	

The accompanying notes are an integral part of these financial statements.

Special Revenue			
Budget			Variance with Final Budget Positive (Negative)
<u>Original</u>	<u>Final</u>	<u>Actual</u>	
\$ 4,859,014	\$ 5,425,518	\$ 4,257,474	\$(1,168,044)
2,591,049	2,996,654	2,247,014	(749,640)
185,443	346,978	302,395	(44,583)
58,093	187,015	123,972	(63,043)
156,033	199,231	335,564	136,333
-	-	583	583
-	-	-	-
99,277	5,066	14,852	9,786
<u>7,948,909</u>	<u>9,160,462</u>	<u>7,281,854</u>	<u>(1,878,608)</u>
-	-	-	-
2,659,707	2,885,423	1,523,027	1,362,396
4,637,334	5,052,407	4,951,568	100,839
234,768	598,271	397,085	201,186
417,100	624,361	410,174	214,187
<u>7,948,909</u>	<u>9,160,462</u>	<u>7,281,854</u>	<u>1,878,608</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
		<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements.

LAND-OF-SKY REGIONAL COUNCIL

Exhibit F

Statement of Fiduciary Net Assets - Fiduciary Funds

For the Year Ended June 30, 2009

	<u>Agency Funds</u>	<u>Private Purpose Trusts</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 31,025	\$ 556
Accounts receivable	-	6,392
	<u>\$ 31,025</u>	<u>\$ 6,948</u>
<u>Liabilities</u>		
Accounts payable	<u>\$ -</u>	<u>\$ 3,105</u>
<u>Net Assets</u>		
Held in trust for other purposes	<u>\$ 31,025</u>	<u>\$ 3,843</u>

The accompanying notes are an integral part of these financial statements.

LAND-OF-SKY REGIONAL COUNCIL

Exhibit G

Combining Statement of Changes in Fiduciary Net Assets Fiduciary Funds For the Year Ended June 30, 2009

	<u>Private Purpose Trusts</u>
Additions	
Receipts	\$ 36,024
Deductions	
Pass-through expenses	<u>35,897</u>
Change in net assets	<u>127</u>
Net assets, beginning of year	<u>3,716</u>
Net assets, end of year	<u><u>\$ 3,843</u></u>

The accompanying notes are an integral part of these financial statements.

LAND-OF-SKY REGIONAL COUNCIL

Notes to the Financial Statements

June 30, 2009

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Land-of-Sky Regional Council (the “Council”) conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Land-of-Sky Regional Council is a coordinating agency created under the authority of Chapter 160A-470 of the General Statutes of North Carolina. 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 two members. This delegation has one vote in the election of the executive committee.

B. Basis of Presentation

Government-wide Statements: The statement of net assets 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 display the *governmental activities* of the Council. Governmental 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. Indirect expense allocations that have been made in the funds have been reversed for the

statement of activities. 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, including member dues, are presented as general revenues

Fund Financial Statements: The fund financial statements provide information about the Council's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

General Fund - The General Fund is the general operating fund of the Council. It is used to account for all financial resources except for those required to be accounted for in another fund. The primary revenue sources are local programs. The primary expenditures are for program purposes, including salaries and fringe benefits.

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Council's federal and State grant funds are maintained in the Special Revenue Fund.

FIDUCIARY FUNDS

Agency Funds – 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 three agency funds:

- ***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 fiscal agent.
- ***Southern Appalachian Mountain Initiative.*** This fund accounts for the assets and close-out activities of the Southern Appalachian Mountain Initiative Project for which the Council acts as fiscal agent.
- ***CarolinaWest, Inc.*** This fund accounts for the assets and activities of CarolinaWest, Inc., a not-for-profit corporation for which the Council acts as fiscal agent.

Private Purpose Trust Fund – The Private Purpose Trust Fund is used to account for assets and activities in which the Council acts as a fiscal agent. The Council maintains one private purpose trust fund:

- ***Land-of-Sky Regional Council Cafeteria Plan.*** This fund accounts for the contributions and disbursements of monies collected from and paid to Council employees as part of the Council's Section 125 Cafeteria Plan.

C. 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. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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 long-term debt, claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of 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 60 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.

D. Budgetary Data

The Council's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all Funds. All 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 program level for all annually budgeted funds. Amendments are required for any revisions that alter total expenditures of any program within a fund and all amendments must be approved by the governing board. However, transfers from one appropriation to another within the same fund and program in any amounts 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. Amendments were necessary due to increased or decreased federal and State funding for various programs.

E. Assets, Liabilities and Net Assets/Fund Balances

Cash and Cash Equivalents – The Council pools monies from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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.

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 with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

Capital Assets – The Council's capital assets are recorded at cost or estimated historical cost. Donated assets are listed at their estimated fair value at the date of donation. It is the policy of the Council to capitalize all capital assets costing more than \$1,000 with an estimated useful life of two or more years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

<u>Asset Class</u>	<u>Years</u>
Furniture and equipment	7-10
Copiers	5-7
Computer equipment	4-5
Computer software	4-5

Deferred/Unearned Revenue – Deferred/unearned revenue represents funds received under federal, State and local grants and contracts that relate to programs and services to be performed subsequent to June 30, 2009.

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.

Compensated Absences – The Council follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. The Council's liability for accumulated earned vacation and the salary-related payments as of June 30, 2009 is recorded in the governmental-wide financial statements on a LIFO basis, assuming that employees are taking leave time as it is earned.

The sick leave policy of the Council 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 has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Interfund Balances – The \$373,733 in Due from Special Revenue Fund results from costs incurred and paid by the General fund for administering the Special Revenue Fund activities not yet reimbursed.

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

In the governmental fund financial statements, reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts the appropriation of fund balance or fund equity for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved for Prepaid Items – Portion of fund balance which is not available for appropriation because it represents the year-end fund balance of prepaid items which are not expendable, available resources.

Reserved by State Statute – Portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables that are not offset by deferred revenues.

Unreserved and Undesignated – Portion of total fund balance available or appropriation that is uncommitted at year-end.

F. Revenues and Expenditures

Indirect Costs – Indirect costs are allocated to the various grants, based on the proportion of each grant's salaries, to the total of direct salaries for all grants. The allocation ratio for the year ended June 30, 2009, is 64% of direct salaries. The Appalachian Regional Commission, the Council's oversight agency, has reviewed and found no fault in the provisional rate. The indirect cost provisional rate is adjusted to actual at year-end if the actual rate is determined to be lower than the provisional rate. However, if the actual rate is higher than the rate used, local income is used to supplement the indirect costs instead of adjusting the rate used. The actual indirect cost rate for the year ended June 30, 2009, is 64% of direct salaries.

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

Note 2 – Detail Notes on All Funds

A. Assets

Deposits - All the deposits of the Council are either insured or collateralized by the Pooling method. 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 their 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 deposits. The State Treasurer does not confirm this information with the Council, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Council under the Pooling Method, the potential exists for under-collateralization, and 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 policy regarding custodial credit risk for deposits.

At June 30, 2009, the Council's deposits had a carrying amount of \$322,666 and a bank balance of \$365,265. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

Investments – At June 30, 2009, the Council had \$35,023 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAA by Standard and Poor's. The Council has no policy regarding credit risk.

Capital Assets – Capital asset activity for the year ended June 30, 2009, was as follows:

<u>Capital Assets</u>	<u>Balance</u> <u>July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2009</u>
Governmental activity:				
Capital assets being depreciated:				
Office Space and Leasehold Improvemen	\$ 2,193,507	\$ 68,426	\$ -	\$ 2,261,933
Leasehold Improvements In Progress	21,268	-	-	21,268
Vehicles	21,815	-	-	21,815
Equipment	<u>316,287</u>	<u>37,270</u>	<u>7,634</u>	<u>345,923</u>
Total capital assets being depreciated	<u>2,552,877</u>	<u>105,696</u>	<u>7,634</u>	<u>2,650,939</u>
Less accumulated depreciation for:				
Office Space and Leasehold Improvemen	42,825	88,435	-	131,260
Vehicles	5,453	3,636	-	9,089
Equipment	<u>212,145</u>	<u>34,639</u>	<u>7,634</u>	<u>239,150</u>
Total accumulated depreciation	<u>260,423</u>	<u>126,710</u>	<u>7,634</u>	<u>379,499</u>
Governmental activity capital assets, net	<u>\$ 2,292,454</u>	<u>\$ (21,014)</u>	<u>\$ -</u>	<u>\$ 2,271,440</u>
Depreciation was charged to governmental functions as follows:				
Administration			\$ 118,103	
Aging			855	
Volunteer Services			-	
Local government services			<u>7,752</u>	
			<u>\$ 126,710</u>	

B. Liabilities

Local Governmental Employees' Retirement System – *Plan Description.* The Council contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions of the North Carolina General Assembly. 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 27669-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Council is required to contribute at an actuarially determined rate. For the Council, the current rate for employers is 4.91% of annual covered payroll. The contribution requirements of members and of the Council are established and may be amended by the North Carolina General Assembly. The Council's contributions to LGERS for the year ended June 30, 2009, 2008, and 2007 were \$76,241, \$66,080 and \$65,978 respectively. The contributions made by the Council equaled the required contributions for each year.

Postemployment Benefits – The Council has 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 twelve highest month's salary in a row during the 24 months prior to the employee's death. The death benefit will be no less than \$25,000 and no more than \$50,000.

All death benefit payments are made from the Death Benefit Plan. The Council has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the state. Because the benefit payments are made by the Death Benefit Plan and not by the Council, the Council does not determine the number of eligible participants. For the

fiscal year ended June 30, 2009, the Council made contributions to the State for death benefits of \$1,496. The Council's required contributions represented 0.10% of covered payroll. The contributions to the Death Benefit plan cannot be separated between the postemployment benefit amount and the other benefit amount.

Unearned Revenues – Unearned revenue in the General Fund and Special Revenue Fund result from the receipt of federal or State grants before amounts are earned.

The following list shows unearned revenue at June 30, 2009:

	General Fund	Special Revenue Fund
Unearned grants	<u>\$ 8,086</u>	<u>\$ 109,306</u>

Long-Term Obligations - The Council is committed under a lease for a vehicle, which is considered for accounting purposes to be a capital lease. The recorded cost of the asset under capital lease as of June 30, 2009 was \$21,815. The related accumulated depreciation for the leased vehicle at June 30, 2009 was \$9,089. The aggregate capital lease imputed interest rate is 10.2%. Capital lease expenditures for the year ended June 30, 2009, were \$6,948.

In January of 2008, the Council entered into a financing agreement with Buncombe County for the purpose of acquiring the office space at 339 Leicester Crossing. The lease origination amount is for the entire acquisition of the property except that the financing lease calls for a payment of \$500 on closing at the end of the 25 year lease term. The lease requires semi annual payments of interest until November 15, 2009 at which time the first semiannual payment of \$73,050 is due. Semi annual payments continue until the end of the lease term on May 16, 2033.

In March of 2008, The Council entered into a financing agreement for furniture and equipment necessary for operations in the new location. The origination amount of the capital lease was \$51,421. The lease calls for 60 monthly payments of \$1,049 which reflects a fixed rate of interest at 8.26%.

Future minimum lease payments for the above lease obligations are as follows:

Years Ending June 30,	<u>Vehicle</u>	<u>Furniture & Equipment</u>	<u>Office Space and Leasehold Improvements</u>	<u>Totals</u>
2010	\$ 3,528	\$ 12,588	\$ 146,100	\$ 162,216
2011	-	12,588	146,101	158,689
2012		12,588	146,100	158,688
2013		10,494	146,101	156,595
2014			146,100	146,100
2015 through 2033			2,754,088	2,754,088
	<u>3,528</u>	<u>48,258</u>	<u>3,484,590</u>	<u>3,536,376</u>
Less: interest	<u>(88)</u>	<u>(7,015)</u>	<u>(1,270,867)</u>	<u>(1,277,970)</u>
Present value of minimum lease payments	3,440	41,243	2,213,723	2,258,406
Less: current portion	<u>(3,440)</u>	<u>(9,537)</u>	<u>(70,423)</u>	<u>(83,400)</u>
Lease obligations, less current portion	<u>\$ -</u>	<u>\$ 31,706</u>	<u>\$ 2,143,300</u>	<u>\$ 2,175,006</u>

Compensated absences have typically been liquidated in the general fund.

The following is a summary of changes in the Council's long-term obligations for the fiscal year ended June 30, 2009:

<u>Governmental Activity</u>	<u>Balance July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2009</u>	<u>Current Portion of Balance</u>
Capital Lease, office space and leasehold improvements	\$ 2,179,411	\$ 34,312	\$ -	\$ 2,213,723	\$ 70,423
Capital Lease, equipment	50,026	-	8,783	41,243	9,537
Capital Lease, vehicle	11,127	-	7,687	3,440	3,440
Compensated absences	<u>95,402</u>	<u>9,993</u>	<u>-</u>	<u>107,917</u>	<u>-</u>
Total governmental activities	<u>\$ 2,335,966</u>	<u>\$ 44,305</u>	<u>\$ 16,470</u>	<u>\$ 2,366,323</u>	<u>\$ 83,400</u>

Note 3 – Risk Management and Concentrations of Risk

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; efforts and omissions; injuries to employees; and natural disasters.

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.

The Council participates in one self-funded risk financing pool administered by the North Carolina League of Municipalities. Through the pool, the Council has general liability coverage and property coverage 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 is reinsured through commercial companies for single occurrence claims up to the statutory limits.

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

Note 4 – Contingency

Federal and State Assisted Programs

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 monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

LAND-OF-SKY REGIONAL COUNCIL

**Schedule of Indirect Costs
For the Year Ended June 30, 2009**

	<u>Administrative</u>	<u>Finance</u>	<u>Building Operations</u>	<u>Total</u>
Indirect costs:				
Personnel	\$ 179,013	\$ 127,136	\$ -	\$ 306,149
Fringe benefits	<u>64,299</u>	<u>35,619</u>	<u>-</u>	<u>99,918</u>
Total indirect personnel	<u>\$ 243,312</u>	<u>\$ 162,755</u>	<u>\$ -</u>	<u>\$ 406,067</u>
Telephone and postage	22,013	696	-	22,709
Travel	14,985	2,906	-	17,891
Rent	-	-	-	-
Utilities	-	-	13,979	13,979
Maintenance and repairs	218	3,559	25,046	28,823
Insurance, not payroll related	4,264	-	1,843	6,107
Training and workshops	4,747	977	-	5,724
Supplies	6,494	955	311	7,760
Contractual	1,041	9,944	500	11,485
Dues and subscriptions	1,840	387	-	2,227
Printing	20,182	-	-	20,182
Advertising	1,550	96	-	1,646
Equipment and technology	25,651	850	-	26,501
Leased equipment	3,516	-	-	3,516
Depreciation	-	-	78,714	78,714
Other	128	216	-	344
Debt service for capital lease	-	-	-	-
Interest	<u>3,805</u>	<u>-</u>	<u>46,801</u>	<u>50,606</u>
Total indirect costs	<u>\$ 353,746</u>	<u>\$ 183,341</u>	<u>\$ 167,194</u>	<u>\$ 704,281</u>

Indirect costs compared to provisional indirect rate:	
Personnel expenditures carrying indirect contributions	\$ 1,077,002
Provisional rate	<u>64%</u>
Provisional indirect contribution	689,281
Charges for services rendered based on actual cost:	
Waste Reduction Partners	7,000
Regional Brownfields Representative	<u>8,000</u>
Total provisional indirect contribution	704,281
Total indirect costs	<u>704,281</u>
Indirect costs over (under) adjustment	<u>\$ -</u>

LAND-OF-SKY REGIONAL COUNCIL

**Schedule of Indirect Costs
For the Year Ended June 30, 2009**

	<u>Program</u>	<u>Actual</u>
Indirect costs allocated		
Brownfields Regional Site Host	406	8,000
Local	410	6,808
Local Fundraising	412	1,673
ARC Administration 2008	428	17,198
ARC Administration 2009	429	17,740
EDA 2008	438	9,423
EDA 2009	439	9,371
State Technical Assistance	440	11,322
Madison Co Comprehensive Plan TA	451	13,595
Buncombe Co Lead Agency	500	2,637
Boomers and Beyond	507	11
Aging - Planning	510	55,194
SB1559 Aging Funds P & A	511	14,525
Aging - Chronic Disease Self Mngmnt Program	512	3,140
Aging - Health Promotions	513	5,676
Family Caregiver Support	530	34,591
UNC-CH Alzheimers Respite Care	532	1,030
Regional Ombudsman	550	83,408
Senior Community Service Employment Program	560	12,700
Title V Stimulus-ARRA	563	493
Volunteer Svcs Fund-raising	574	197
RSVP (1/1/08-12/31/08)	578	21,727
RSVP (1/1/09 - 12/31/09)	579	22,353
FGP	586	39,853
Senior Companion 9/30/07-9/29/08	598	10,168
Senior Companion (9/30/08-9/29/09)	599	28,572
EconDev Technical Assistance	601	69
USDA-Marshall RLF	606	1,078
CDBG Grantwriting	610	5,410
National Research Initiative	618	98
Forest Workshops	619	86
Henderson Co SBE-CDBG	635	1,294
Transylvania Co SBE CDBG	636	1,014
CDBG Marshall Infrastructure	652	437
NC RC STEP, Ph 2 Marshall	659	3,702
Brownfields Consulting, City of Asheville	670	14,901
EPA BF REPP-Reg'l Envir Priorities Project	671	3,053
Brownfields Conference 2007	680	47
RENCI-Linking Lands & Communities	688	832
FHWA-Linking Lands & Communities	689	7,051
PRF-Mountain Ridge Protection	691	221
CFWNC Strategy-Linking Lands & Community	693	4,745
ZSR-Mountain Ridge/Slope Protection-Action Phase	694	3,449
CFWNC Linking Lands Strategy II	695	233
ARC Housing (08)	708	1,286

LAND-OF-SKY REGIONAL COUNCIL

**Schedule of Indirect Costs
For the Year Ended June 30, 2009**

	<u>Program</u>	<u>Actual</u>
ARC Housing (09)	709	658
Straight-Pipe Elimination	715	274
NC CWMTF-Straight Pipe Elimination, #2	716	885
Madison Co CDBG-Scattered Site	731	3,618
NCRC Mars Hill Planning	740	770
CDBG Mars Hill Infrastructure	741	7,452
NCRC Mars Hill Supplemental	742	2,677
Mars Hill Environmental Assessment	744	4,903
NCRC Marshall Planning	750	1,973
CDBG Marshall	751	7,665
NCRC Marshall, Clean Water Partners Supplemental	752	1,081
Marshall Environmental Assessment	754	982
Henderson Co Housing Finance Agency	782	173
CDBG Hend Co Shuey Knolls Admin	784	3,726
CDBG-Brevard McMinn Hookup	785	1,117
Henderson Co CHAF	790	5,807
Madison Co CHAF	791	2,240
Clean Air Campaign	800	2,551
Alternative Fuels Initiative 2007	821	11,497
MELC-Mobile Environmental Learning Ctr	830	3,388
RUS 12-Solid Waste	847	1,541
RUS-Solid Waste, LGS RUS-14	849	8,991
DPPEA SWMTF WRP	850	138
DPPEA/WRP	851	9,512
Reg'l Water Authority, City of Asheville	853	2,248
DPPEA/WRP - WRP East	856	115
WRP-SEO Energy Efficiency II	857	486
WRP SEO-Utility Savings Initiative	862	5,709
WRP Cherokee Foundations	863	1,566
WRP-NC Farm Bureau FEED	864	18
RUS-WRP, RUS14	869	1,829
ARC Water FY10**FY09 Riverweek use 880 FY10	870	664
ARC Water (08)	878	1,029
ARC Water 10/08-9/09	879	5,097
RPO	900	35,278
DENR Greenways Planning	926	331
French Broad MPO-City of Avl	950	29,850
French Broad River MPO	952	56,028
Total indirect expense allocation		\$ 704,280

Combining Statement of Fiduciary Net Assets - Fiduciary Funds
Agency Funds

For the Year Ended June 30, 2009

	CarolinaWest <u>Inc</u>	Southern Appalachian Mountain <u>Initiative</u>	WNC Highway <u>Corridors</u>	Total Agency <u>Funds</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 25,377	\$ 509	\$ 5,139	\$ 31,025
<u>Liabilities</u>				
Accounts Payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Net Assets</u>				
Held in trust for other purposes	<u>\$ 25,377</u>	<u>\$ 509</u>	<u>\$ 5,139</u>	<u>\$ 31,025</u>

LAND-OF-SKY REGIONAL COUNCIL

**Combining Statement of Changes in Fiduciary Net Assets - Fiduciary Funds
Agency Funds**

For the Year Ended June 30, 2009

	<u>CarolinaWest Inc</u>	<u>Southern Appalachian Mountain Initiative</u>	<u>WNC Highway Corridors</u>	<u>Agency Funds</u>
Additions				
Receipts	\$ 17,500	\$ -	\$ -	\$ 17,500
Deductions				
Pass-through expenses	<u>26,213</u>	<u>168</u>	<u>1,099</u>	<u>27,480</u>
Change in net assets	<u>(8,713)</u>	<u>(168)</u>	<u>(1,099)</u>	<u>(9,980)</u>
Net assets, beginning of year	<u>34,090</u>	<u>677</u>	<u>6,238</u>	<u>41,005</u>
Net assets, end of year	<u><u>\$ 25,377</u></u>	<u><u>\$ 509</u></u>	<u><u>\$ 5,139</u></u>	<u><u>\$ 31,025</u></u>

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LAND-OF-SKY REGIONAL COUNCIL
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
All Governmental Funds
For the Year Ended June 30, 2009

	General		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Federal government	\$ -	\$ -	\$ -
State of North Carolina	8,000	8,000	-
Local governmental agencies and membership dues	72,125	72,124	(1)
Private	22,639	24,913	2,274
In-kind	-	89,712	89,712
Interest income	6,000	2,224	(3,776)
Contingency	-	-	-
Other	20,018	21,405	1,387
Total revenue	<u>128,782</u>	<u>218,378</u>	<u>89,596</u>
Expenditures:			
Local services	130,782	145,296	(14,514)
Host for Regional Brownfields Representative	8,000	8,000	-
ARC Administrative Assistance	-	-	-
Economic Development Administration	-	-	-
State Technical Assistance	-	-	-
Madison County Comprehensive Plan Technical Assistance	-	-	-
Economic Development Technical Assistance	-	-	-
USDA - Marshall Revolving Loan Fund	-	-	-
CDBG Grantwriting/Planning	-	-	-
Rural Center - Economic Innovations Grant	-	-	-
Rural Center - Econ Innovations Grant - Medicinal Herbs	-	-	-
Rural Center - Econ Innovations Grant - Landcare	-	-	-
National Research Initiative	-	-	-
Forest Products Workshop	-	-	-
Henderson Co Small Business & Entrepreneurial Assistance, CDBG	-	-	-
Transylvania Co Small Business & Entrepreneurial Assistance, CDBG	-	-	-
EPA Brownfields Initiative Revolving Loans	-	-	-
CDBG Marshall Water/Sewer Infrastructure	-	-	-
NC Rural Center-Small Town Economic Planning(STEP) Phase 2	-	-	-
NC Rural Center-Econ Innovations Grant-Energy/Fuels	-	-	-
City of Asheville Brownfields Administrative Technical Assistance	-	-	-
EPA BF Regional Environmental Priorities Projects	-	-	-
Brownfields Team Conference Planning	-	-	-
EPA Brownfields Assessment III	-	-	-
EPA Brownfields Assessment IV	-	-	-
Lyndhurst Foundation - Linking Lands & Communities	-	-	-
RENCI - Linking Lands & Communities	-	-	-
Federal Highway Agency-Linking Lands and Communities	-	-	-
ZSRF Mountain Ridge Protection	-	-	-
CFWNC Strategy-Linking Lands and Communities	-	-	-
ZSRF Mountain Ridge Protection/Steep Slope, Phase II, Action	-	-	-
CFWNC Strategy-Linking Lands and Communities, Phase II	-	-	-

Special Revenue		
Budget	Actual	Variance Positive (Negative)
\$ 5,425,518	\$ 4,257,474	\$ (1,168,044)
2,996,654	2,247,014	(749,640)
346,978	302,395	(44,583)
187,015	123,972	(63,043)
199,231	335,564	136,333
-	583	583
-	-	-
5,066	14,852	9,786
<u>9,160,462</u>	<u>7,281,854</u>	<u>(1,878,608)</u>
-	-	-
-	-	-
118,131	118,130	1
70,334	70,334	-
44,099	44,099	-
58,822	41,984	16,838
800	252	548
64,494	49,472	15,022
19,278	20,205	(927)
13,527	13,527	-
3,280	3,280	-
5,711	5,711	-
55,272	49,111	6,161
1,000	598	402
6,000	6,000	-
6,000	3,807	2,193
829,756	144,156	685,600
4,296	1,635	2,661
11,473	11,473	-
295,222	258,105	37,117
60,000	49,599	10,401
21,750	20,720	1,030
3,238	5,833	(2,595)
178,667	120,063	58,604
261,538	41,356	220,182
10,000	4,344	5,656
5,000	5,000	-
80,782	82,978	(2,196)
1,500	648	852
15,798	15,798	-
23,395	17,426	5,969
25,000	704	24,296

LAND-OF-SKY REGIONAL COUNCIL
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
All Governmental Funds
For the Year Ended June 30, 2009

	General		Variance Positive (Negative)
	Budget	Actual	
ARC Housing	-	-	-
CWMTF Straight Pipe Elimination Funding	-	-	-
CWMTF Straight Pipe Elimination Funding II	-	-	-
WNC Community Housing Partnership	-	-	-
CDBG Madison Co Scattered Site	-	-	-
NCRC Mars Hill Planning	-	-	-
CDBG Mars Hill Infrastructure	-	-	-
NCRC Mars Hill Supplemental	-	-	-
Mars Hill Environmental Assessment	-	-	-
NCRC Marshall Planning	-	-	-
CDBG Marshall Infrastructure	-	-	-
NCRC Marshall Clean Water Partners	-	-	-
Marshall Environmental Assessment	-	-	-
NC Housing Finance Agency, Henderson Co	-	-	-
CDBG Henderson Co Shuey Knoll	-	-	-
CDBG Brevard McMinn Hook-up	-	-	-
Henderson Co CHAF	-	-	-
Madison Co CHAF	-	-	-
NC Housing Finance Agency, Madison Co	-	-	-
HFA, Henderson Co, Supplemental	-	-	-
Subtotal Economic and Community Development	138,782	153,296	(14,514)
Elder Abuse	-	-	-
Boomers and Beyond, Business of Aging Conference	-	-	-
Buncombe Co Aging Plan	-	-	-
Aging - Planning	-	-	-
Aging - Chronic Disease and Self-Management Program	-	-	-
Aging - Health Promotions	-	-	-
Active Aging Week	-	-	-
Community Resource Connections	-	-	-
Home and Community Care Block Grant	-	-	-
Senior Center General Purpose and Outreach	-	-	-
Aging - Fan & Heat Relief	-	-	-
Family Caregiver Support	-	-	-
UNC-CH Alzheimers' Respite Support	-	-	-
Project Care	-	-	-
Regional Ombudsman	-	-	-
Older American Community Service Employment Program	-	-	-
FFY 08 c/o Older American Community Service Employment Progra	-	-	-
ARRA - Older American Community Service Employment Program	-	-	-
Volunteer Recognition Event Planning	-	-	-
Retired Senior Volunteer Program	-	-	-
Foster Grandparent Program	-	-	-

Special Revenue		
Budget	Actual	Variance Positive (Negative)
15,222	10,804	4,418
26,700	25,886	814
12,000	4,460	7,540
3,500	3,500	-
13,273	13,273	-
2,500	2,500	-
29,800	29,800	-
8,650	8,094	556
15,000	15,000	-
6,000	6,000	-
32,000	32,000	-
8,218	3,227	4,991
3,000	3,000	-
377,103	115,150	261,953
12,548	12,548	-
4,016	4,016	-
7,199	8,310	(1,111)
12,531	17,319	(4,788)
2,000	71	
-	1,721	(1,721)
2,885,423	1,523,027	1,360,467
8,232	8,232	-
8,487	4,695	3,792
44,551	44,551	-
254,807	251,113	3,694
18,716	18,716	-
35,430	35,429	1
2,250	1,880	370
10,000	8,005	1,995
2,677,035	2,675,390	1,645
76,197	69,334	6,863
3,862	3,862	-
217,552	215,114	2,438
60,404	5,719	54,685
57,000	56,220	780
294,344	295,514	(1,170)
245,874	241,905	3,969
12,939	11,645	
59,462	2,328	
4,943	3,770	1,173
186,052	213,861	(27,809)
387,524	388,756	(1,232)

LAND-OF-SKY REGIONAL COUNCIL
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
All Governmental Funds
For the Year Ended June 30, 2009

	<u>General</u>		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Senior Companion Program	-	-	-
Subtotal Human Service	-	-	-
Clean Air Campaign	-	-	-
SAMI	-	-	-
Alternative Fuels Initiative	-	-	-
SAWGII Southern Appalachian Forest Renewable Resources	-	-	-
Mobile Education Center	-	-	-
Madison Co Solid Waste Technical Assistance	-	-	-
Rural Utility Service - Integrated Waste Management	-	-	-
Rural Utility Service - Integrated Waste Management, 10/1/08-9/30/09	-	-	-
Div of Pollution Prevention - Waste Reduction Partners	-	-	-
Waste Reduction Partners - Asheville/Buncombe Water Authority	-	-	-
Waste Reduction Partners - Private Contributions	-	-	-
DPPEA/WRP - WRP East	-	-	-
State Energy Office - WRP Energy Efficiency	-	-	-
State Energy Office - WRP Utility Savings	-	-	-
Waste Reduction Partners - Cherokee Preservation Foundation	-	-	-
Waste Reduction Partners - NC Farm Bureau, Farm Energy Efficiency	-	-	-
State Energy Office - WRP Energy Efficiency Audits, Private Sector	-	-	-
Riverweek	-	-	-
ARC Water	-	-	-
CWMTF French Broad River Conservation Easements	-	-	-
Subtotal Environmental Protection	-	-	-
Rural Transportation Planning Organization	-	-	-
Bicycle Maps	-	-	-
NCDENR Greenways Planning	-	-	-
City of Asheville - French Broad River Metropolitan Planning Org.	-	-	-
21st Century Transportation Presentation	-	-	-
French Broad River Metropolitan Planning Org.	-	-	-
Subtotal Transportation	-	-	-
Total expenditures	138,782	153,296	(14,514)
Revenues over (under) expenditures	(10,000)	65,082	75,082
Other financing sources (uses):			
Funds from Capital Lease	-	34,312	34,312
Gain (Loss) on Sale of Assets	-	-	-
Appropriated Fund Balance	10,000	-	-
Transfers from (to) other funds	-	-	-
Net change in fund balances	<u>\$ (10,000)</u>	99,394	<u>\$ 109,394</u>
Fund balances - beginning of year		584,034	
Fund balances - ending of year		<u>\$ 683,428</u>	

Special Revenue		
Budget	Actual	Variance Positive (Negative)
386,746	395,529	(8,783)
5,052,407	4,951,568	42,411
12,130	12,130	-
677	168	509
36,100	36,100	-
7,261	7,261	-
11,245	11,132	113
3,500	-	3,500
4,959	4,959	-
71,250	66,085	5,165
40,000	40,000	-
15,000	15,000	-
1,081	722	359
25,000	4,394	20,606
13,833	13,833	-
124,985	114,147	10,838
45,500	41,454	4,046
13,250	5,300	7,950
10,000	1,894	8,106
2,000	2,000	-
21,500	19,256	2,244
139,000	1,250	137,750
598,271	397,085	201,186
112,500	112,500	-
3,845	3,589	256
1,000	1,000	-
277,816	113,688	164,128
1,200	1,200	-
228,000	178,197	49,803
624,361	410,174	214,187
9,160,462	7,281,854	1,818,251
-	-	(60,357)
-	-	-
-	-	-
-	-	-
-	-	-
\$ -	-	\$ (60,357)
	-	
	\$ -	

LAND-OF-SKY REGIONAL COUNCIL
Schedule of Revenues and Expenditures by Type -
All Governmental Funds
For the Year Ended June 30, 2009

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Federal government	\$ -	\$ 4,257,474	\$ 4,257,474
State of North Carolina	8,000	2,247,014	2,255,014
Local governmental agencies and memb	72,124	302,395	374,519
Private	24,913	123,972	148,885
In-kind	89,712	335,564	425,276
Interest income	2,224	583	2,807
Other	21,405	14,852	36,257
Total revenue	<u>218,378</u>	<u>7,281,854</u>	<u>7,500,232</u>
Expenditures:			
Personnel - direct	7,014	1,207,966	1,214,980
Personnel - indirect/field	7,165	404,309	411,474
Fringe benefits	6,611	477,509	484,120
Telephone and postage	1,877	29,759	31,636
Travel - staff and committee	4,294	117,677	121,971
Rent	2,075	3,824	5,899
Utilities	327	13,651	13,978
Maintenance and repairs	1,297	32,397	33,694
Insurance (not payroll related)	1,491	6,597	8,088
Training and workshops	214	13,979	14,193
Supplies	5,516	19,545	25,061
Contractual	919	470,206	471,125
Dues and subscriptions	4,990	11,130	16,120
Printing	2,098	47,373	49,471
Advertising	39	27,071	27,110
Legal fees	-	335	335
Equipment and technology	4,668	44,136	48,804
Equipment - leased	82	3,434	3,516
Office Space & Leasehold Improvement	65,268	-	65,268
Usage Allowance	-	16,901	16,901
Depreciation Expense	1,842	76,872	78,714
Board/Council expense	4,852	-	4,852
Other	10,847	22,939	33,786
	<u>133,486</u>	<u>3,047,610</u>	<u>3,181,096</u>
Debt service:			
Debt service - principal	16,470	-	16,470
Debt service - interest	1,963	49,422	51,385
	<u>18,433</u>	<u>49,422</u>	<u>67,855</u>
Other:			
In-kind	1,277	335,564	336,841
Loans-Revolving Loan Fund	-	40,600	40,600
Sub-Grants-Revolving Loan Fund	-	89,875	89,875
Subcontracted/pass-through	100	3,718,783	3,718,883
	<u>1,377</u>	<u>4,184,822</u>	<u>4,186,199</u>
Total expenditures	<u>153,296</u>	<u>7,281,854</u>	<u>7,435,150</u>
Revenues over (under) expenditures	<u>65,082</u>	<u>-</u>	<u>65,082</u>
Other financing sources (uses):			

LAND-OF-SKY REGIONAL COUNCIL
Schedule of Revenues and Expenditures by Type -
All Governmental Funds
For the Year Ended June 30, 2009

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Proceeds from capital lease	34,312	-	34,312
Gain (Loss) on sale of assets	-	-	-
Transfers from (to) other funds	-	-	-
	<u>34,312</u>	<u>-</u>	<u>34,312</u>
Net change in fund balances	<u>\$ 99,394</u>	<u>\$ -</u>	<u>\$ 99,394</u>

Elizabeth Keel, pllc

CERTIFIED PUBLIC ACCOUNTANT

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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*

To the Board of Directors
Land-of-Sky Regional Council
Asheville, North Carolina

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregated remaining fund information of the Land-of-Sky Regional Council (the "Council"), as of and for the year ended June 30, 2009, which collectively comprises the Council's basic financial statements, and have issued our report thereon dated October 09, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Council's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Council's financial statements that is more than inconsequential will not be prevented or detected by the Council's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Council's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of the governing Board, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Elizabeth Keel, pllc

October 09, 2009

Elizabeth Keel, PLLC

CERTIFIED PUBLIC ACCOUNTANT

One West Pack Square, The BB&T Building, Suite 1506, Asheville, North Carolina 28801, (828) 254-1700

Report On Compliance with Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 And The State Single Audit Implementation Act

To the Board of Directors
Land-of-Sky Regional Council
Asheville, North Carolina

Compliance

We have audited the compliance of the Land-of-Sky Regional Council (the "Council") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2009. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Council's management. Our responsibility is to express an opinion on the Council's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, 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 the 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. Our audit does not provide a legal determination on the Council's compliance with those requirements.

In our opinion, the Council complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Council is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Council's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Council's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Council's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control 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, as defined above.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of the governing Board, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Elizabeth Keel, PLLC

Elizabeth Keel, PLLC

October 09, 2009

Elizabeth Keel, PLLC

CERTIFIED PUBLIC ACCOUNTANT

One West Pack Square, The BB&T Building, Suite 1506, Asheville, North Carolina 28801, (828) 254-1700

Report On Compliance With Requirements Applicable To Each Major State Program And Internal Control Over Compliance In Accordance With Applicable Sections of OMB Circular A-133 And The State Single Audit Implementation Act

To the Board of Directors
Land-of-Sky Regional Council
Asheville, North Carolina

Compliance

We have audited the compliance of the Land of Sky Regional Council (the Council), with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2009. The Council's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the Corporation's management. Our responsibility is to express an opinion on the Council's compliance based on our audit.

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 OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, 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 the 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. Our audit does not provide a legal determination on the Council's compliance with those requirements.

In our opinion, the Council complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the Council's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a State program such that there is more than a remote likelihood that noncompliance with a type of a compliance requirement of a State program that is more than inconsequential will not be prevented or detected by the Council's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a State program will not be prevented or detected by the Council's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control 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, as defined above.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of Board of Directors, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Elizabeth Keel, PLLC

Elizabeth Keel, PLLC
Certified Public Accountant
October 09, 2009

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LAND-OF-SKY REGIONAL COUNCIL
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2009

		Federal CFDA Number	Pass-Through Grantor Number
U.S. Dept of Agriculture:			
Rural Business Enterprise - Marshall Revolving Loan Fund	606	10.769	
Forest Service - Southern Appalachian Forest Fragmentation Work Group	829	10.652	
Passed through Rural Development Administration			
Solid Waste Management Program 2006-2008	847	10.762	380110561024369-15
Solid Waste Management Program 2008-2009	849	10.762	380110561024369-17
Passed through North Carolina State University			
Improved Farm Profit with Farmland Protection and High Value Crops	618	10.206	2005-35618-15645, subaward 2005-0587-01
Passed through NC Department of Health and Human Services			
Food Distribution Program	520	10.570	NC-77
Total U.S. Department of Agriculture			
U.S. Dept of Commerce:			
Direct Program:			
Economic Development Administration (EDA)			
Planning Grant (other match reported NC RC)	438	11.302	04-83-06016
Planning Grant (other match reported NC RC)	439	11.302	04-83-06128
Total U.S. Department of Commerce			
U.S. Dept of Energy:			
Passed through NC Department of Administration, State Energy Office			
Utility Savings Initiative	862	81.041	08-USI-AN1
Supporting Energy Efficiency in 37 NC Counties	857	81.041	07-BLD-DW1
Total U.S. Department of Energy			
U.S. Department of Health & Human Services:			
Passed through N.C. Dept of Health and Human Services,			
Title III--B Planning & Administration	510/511	93.044	SG-91-02
Title III--B	520	93.044	
Title III--B Legal	520	93.044	
Title III--B Ombudsman	550	93.044	
Title III--C1	510/520	93.045	
Title III--C2	520	93.045	
Title III--E	510/511	93.052	
Title IIIF - Preventive Health 90%	513	93.043	
Family Caregiver Support	530	93.052	
Empowering Older People	512	93.048	
Title VII-B, Elder Abuse	500	93.041	
Title VII-E, Ombudsman	550	93.042	
Community Resource Connections, Aging and Disability Resource Center	516	93.048	
Total U.S. Department of Health & Human Services			

<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
\$ 31,874	\$ -	\$ 15,000	\$ 46,874
7,261	-	-	7,261
4,959	-	-	4,959
66,085	-	-	-
49,111	-	-	49,111
90,424	-	-	90,424
<u>249,714</u>	<u>-</u>	<u>15,000</u>	<u>198,629</u>
26,500	-	8,667	35,167
<u>26,500</u>	<u>-</u>	<u>8,667</u>	<u>35,167</u>
<u>53,000</u>	<u>-</u>	<u>17,334</u>	<u>70,334</u>
114,148	-	-	114,148
13,833	-	-	13,833
<u>127,981</u>	<u>-</u>	<u>-</u>	<u>127,981</u>
73,633	53,457	37,957	165,047
729,781	1,124,951	-	1,854,732
53,027	3,119	-	56,146
116,350	94,357	30,607	241,314
292,214	68,652	-	360,866
211,029	163,994	-	375,023
18,010	987	-	18,997
30,116	1,772	3,543	35,431
201,669	13,445	-	215,114
18,716	-	-	18,716
6,996	412	825	8,233
51,190	3,011	-	54,201
8,005	-	-	8,005
<u>1,810,736</u>	<u>1,528,157</u>	<u>72,932</u>	<u>3,411,825</u>

LAND-OF-SKY REGIONAL COUNCIL
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2009

		Federal CFDA Number	Pass-Through Grantor Number
U.S. Administration on Aging			
Passed through University of North Carolina at Chapel Hill			
Linkages in Support of Persons with Alzheimer's Disease	532	93.051	
U.S. Department of Housing and Urban Development:			
Passed through N.C. Housing Finance Agency			
Henderson County Single Family Rehabilitation Program	782	14.239	SFR 0718
Madison County Single Family Rehabilitation Program	795	14.239	SFR 0911
Passed through N.C. Dept of Commerce,			
Division of Community Assistance:			
Brevard - McMinn Hookup	785	14.228	CDBG 07-C-1706
Henderson County Shuey Knolls Administration	784	14.228	CDBG 06-C-1600
Henderson County Small Business Entrepreneurial Assistance Program	635	14.228	CDBG 08-C-1848
Madison County Scattered Site Housing Program	731	14.228	CDBG 08-C-1828
Mars Hill, Small Cities Urgent Needs	741	14.228	CDBG 07-C-1750
Marshall Infrastructure	652	14.228	CDBG 03-C-1177
Marshall, Small Cities Infrastructure	751	14.228	CDBG 05-D-1751
Transylvania County Small Business Entrepreneurial Assistance Program	636	14.228	CDBG 08-C-1849
Western North Carolina Housing Partnership Mini-Grant 08/09	718	14.228	
Total U.S. Department of Housing & Urban Development			-1205
U.S. Department of Labor:			
Passed through N.C. Dept of Health and Human Services,			
Senior Community Service Experience Program	560/561	17.235	
American Recovery and Reinvestment Act SCSEP	563	17.235	
Total U.S. Department of Labor			
Appalachian Regional Commission:			
Direct Grants			
2008 ARC Administrative Grant	428/440	23.009	NC-706-B-C35
2009 ARC Administrative Grant	429/440	23.009	NC-706-B-C36
2007-2008 ARC Housing Specialist	708	23.011	CWP-08-B
2008-2009 ARC Housing Specialist	709	23.011	CWP-09-B
2007-2008 Watershed Protection TAP	878	23.011	CWP-08-B
2008-2009 Watershed Protection TAP	879	23.011	CWP-09-B
Total Appalachian Regional Commission			

<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
\$ 5,719	\$ -	\$ -	\$ 5,719
115,150	-	-	115,150
1,792	-	-	1,792
<u>116,942</u>	<u>-</u>	<u>-</u>	<u>116,942</u>
4,016	-	-	4,016
17,253	-	-	17,253
9,500	-	-	9,500
20,273	-	-	20,273
29,800	-	-	29,800
1,635	-	-	1,635
35,500	-	-	35,500
5,307	-	-	5,307
3,500	-	-	3,500
<u>243,726</u>	<u>-</u>	<u>-</u>	<u>243,726</u>
219,672	-	24,408	244,080
2,328	-	259	2,587
<u>222,000</u>	<u>-</u>	<u>24,667</u>	<u>246,667</u>
40,312	23,018	17,294	80,624
40,802	21,081	19,722	81,605
<u>81,114</u>	<u>44,099</u>	<u>37,016</u>	<u>162,229</u>
6,222	-	-	6,222
4,582	-	-	4,582
3,000	-	-	3,000
16,256	-	-	16,256
30,060	-	-	30,060
<u>111,174</u>	<u>44,099</u>	<u>37,016</u>	<u>192,289</u>

LAND-OF-SKY REGIONAL COUNCIL
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2009

		Federal CFDA Number	Pass-Through Grantor Number
U.S. Department of Transportation, Federal Highway Administration:			
Linking Lands and Communities in Land-of-Sky Region of WNC	689	20.205	
Passed through N.C. Department of Environment & Natural Resources Parks & Recreation			
Regional Trails and Open Space Plan-French Broad Watershed	926	20.219	P07048
NC Department of Transportation			
French Broad Metropolitan Planning Organization	952	20.205-5	
Contracted with City of Asheville			
French Broad Metropolitan Planning Organization Transition	950	20.205-5	
Total Federal Highway Administration			
Environmental Protection Agency:			
Direct grants			
Regional Brownfields Initiative, Revolving Loan Fund Admin	645	66.818	BF 96413504
Brownfields Assessment, Phase II	683	66.818	BF 96460606
Brownfields Assessment, Phase III	684	66.818	BF 95408408
Regional Environmental Priority Project, Brownfields	671	66.611	PI 96499208
Contracted with City of Asheville			
City of Asheville Brownfields Assessment Administration	670	66.818	BF 95405608
Total Environmental Protection Agency			
Corporation for National Service:			
Direct Grants			
Retired Senior Volunteer	578	94.002	06SRSNC008
Retired Senior Volunteer	579	94.002	09SRSNC002
Foster Grandparent/Senior Companion Cluster			
2009 Foster Grandparent	586	94.011	08SFSNC001
2007-2008 Senior Companion Program	598	94.016	06SCSNC005
2008-2009 Senior Companion Program	599	94.016	06SCSNC005
Total Corporation for National Service			
State Programs:			
NC General Assembly			
Passed through North Carolina Rural Center:			
Clean Water Partners Planning, Mars Hill	740		2008-362-40101-112
Clean Water Partners Supplemental, Mars Hill	742		2008-146-40101-112
Clean Water Partners Planning, Marshall	750		2008-370-40101-112
Clean Water Partners Supplemental, Marshall	752		2008-046-40101-112
Creating Place-Based Jobs in Rural NC	615-617		18-02-21

<u>Federal</u>		<u>State</u>		<u>Local</u>		<u>Total</u>	
\$	50,286	\$	-	\$	32,693	\$	82,979
	1,000		-		-		1,000
	142,558		-		35,639		178,197
	113,688		-		-		113,688
	<u>307,532</u>		<u>-</u>		<u>68,332</u>		<u>375,864</u>
	126,156		-		-		126,156
	120,063		-		-		120,063
	41,356		-		-		41,356
	15,720		-		-		15,720
	49,599		-		-		49,599
	<u>352,894</u>		<u>-</u>		<u>-</u>		<u>352,894</u>
	65,731		-		42,197		107,928
	64,532		-		44,123		108,655
	<u>130,263</u>		<u>-</u>		<u>86,320</u>		<u>216,583</u>
	343,372		6,038		39,346		388,756
	84,106		16,190		10,712		111,008
	214,891		55,769		13,861		284,521
	<u>298,997</u>		<u>71,959</u>		<u>24,573</u>		<u>395,529</u>
	<u>772,632</u>		<u>77,997</u>		<u>150,239</u>		<u>1,000,868</u>
	-		2,500		-		2,500
	-		8,094		-		8,094
	-		6,000		-		6,000
	-		3,227		-		3,227
	-		22,518		-		22,518

LAND-OF-SKY REGIONAL COUNCIL
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2009

	Federal CFDA Number	Pass-Through Grantor Number
State Programs, continued:		
NC General Assembly, continued		
Passed through North Carolina Rural Center, continued:		
NC STEP Coaching and Technical Assistance - Implementation	659	2008-470-60401-205
Planning and Entrepreneurship-Clean Energy Future	663	2008-178-30301-107
NC Clean Water Management Trust Fund		
Conservation Easement Acquisition	895	2007-016
NC Department of Administration, State Energy Office		
Clean Vehicles Coalition	821	09-TRN-CM1
Energy Efficiency for Private Organizations in WNC	865	09-BLD-RC1
NC Department of Crime Control and Public Safety		
NC Redevelopment Center		
Henderson County Crisis Housing Assistance Funds	790	045-0-04
Madison County Crisis Housing Assistance Funds	791	057-0-04
NC Department of Environment and Natural Resources:		
Division of Environmental Health, Wastewater Discharge		
Elimination Program - Clean Water Management Trust Fund	715	T03133
Elimination Program, Deferred Loan/Grant Program	716	2289
Division of Pollution Prevention & Environmental Assistance		
Waste Reduction Partners	850/851/856	H05003
NC Brownfields Program Partnership for WNC	406	N08002
NC Department of Health and Human Services		
Senior Center Development	521	NC-77
Senior Center Outreach	521	NC-77
Project Care/Alzheimer's	532	
Fan/Heat Relief Program	522	NC-77
NC Department of Transportation		
Rural Transportation Planning Funds	900	

Total Federal and State Awards Expended

<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
\$ -	\$ 11,473	\$ -	\$ 11,473
-	197,830	-	197,830
-	251,642	-	251,642
-	1,250	-	1,250
-	36,100	12,130	48,230
-	1,894	-	1,894
-	37,994	12,130	50,124
-	8,310	-	8,310
-	17,319	-	17,319
-	25,629	-	25,629
-	26,700	-	26,700
-	3,646	-	3,646
-	44,394	-	44,394
-	8,000	-	8,000
-	82,740	-	82,740
-	46,119	15,373	61,492
-	5,882	1,961	7,843
-	56,222	-	56,222
-	3,865	-	3,865
-	112,088	17,334	129,422
-	90,000	22,500	112,500
-	90,000	22,500	112,500
<u>\$ 4,257,108</u>	<u>\$ 2,251,596</u>	<u>\$ 437,484</u>	<u>\$ 6,880,103</u>

LAND-OF-SKY REGIONAL COUNCIL

Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2009

1. Significant Accounting Policies

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act.

2. Federal and State Awards Which Have Been Passed Through to Subrecipients

<u>Subrecipient</u>	<u>Program Name</u>	<u>Federal CFDA Number</u>
Buncombe County	Title III B (Legal,Access,In-Home)	93.044
	Title III C1 (Congregate Nutrition)	93.045
	Title III C2 (Home-Delivered Meals)	93.045
	Food Distribution	10.570
Alzheimer's Association, WCC C	Family Caregiver, Title III-E	93.052
	Project Care/Alzheimer's	93.051
Council on Aging of Buncombe C	Food Distribution	10.570
	Family Caregiver, Title III-E	93.052
	Fan/Heat Relief	N/A
Meals on Wheels	Food Distribution	10.570
Asheville Area Parks & Rec	Senior Center Development	N/A
Town of Black Mountain	Senior Center Development	N/A

Pass-Through Grantor Number	Federal	State
NC-77	\$ 462,785	\$ 682,249
NC-77	84,034	23,537
NC-77	61,883	48,091
NC-77	20,427	-
	<u>629,129</u>	<u>753,877</u>
NC-77	29,589	1,974
NC-77	-	57,000
	<u>29,589</u>	<u>58,974</u>
NC-77	3,806	-
NC-77	16,875	1,125
NC-77	-	3,200
	<u>20,681</u>	<u>4,325</u>
NC-77	4,808	-
NC-77	-	25,064
NC-77	-	4,211
	<u> </u>	<u> </u>

<u>Subrecipient</u>	<u>Program Name</u>	<u>Federal CFDA Number</u>
Henderson County (paid directly to providers per agreement with Henderson Co)	Title III B (Legal,Access,In-Home)	93.044
	Title III C1 (Congregate Nutrition)	93.045
	Title III C2 (Home-Delivered Meals)	93.045
	Food Distribution	10.570
Henderson Co Council on Aging	Family Caregiver, Title III-E	93.052
	Senior Center Development	N/A
Pardee Pavilion	Family Caregiver, Title III-E	93.052
Madison County	Title III B (Legal,Access,In-Home)	93.044
	Title III C1 (Congregate Nutrition)	93.045
	Title III C2 (Home-Delivered Meals)	93.045
	Food Distribution	10.570
	Family Caregiver, Title III-E	93.052
	Senior Center Development	N/A
	Fan/Heat Relief	N/A
Transylvania County	Title III B (Legal,Access,In-Home)	93.044
	Title III C1 (Congregate Nutrition)	93.045
	Title III C2 (Home-Delivered Meals)	93.045
	Food Distribution	10.570
Transylvania Community Hospital	Family Caregiver, Title III-E	93.052
Transylvania County WCCA	Fan/Heat Relief	N/A
	Senior Center Outreach	N/A
	Senior Center Development	N/A
	Food Distribution	10.570

**Pass-Through
Grantor
Number**

	Federal	State
NC-77	\$ 205,276	\$ 257,833
NC-77	17,407	4,876
NC-77	129,518	100,650
NC-77	33,339	-
	<u>385,540</u>	<u>363,359</u>
NC-77	4,687	313
NC-77	-	4,211
	<u>4,687</u>	<u>4,524</u>
NC-77	10,312	688
NC-77	46,399	65,109
NC-77	70,032	19,616
NC-77	15,638	12,153
NC-77	18,951	-
NC-77	8,437	563
NC-77	-	8,422
NC-77	-	400
	<u>159,457</u>	<u>106,263</u>
NC-77	68,348	122,878
NC-77	62,174	17,414
NC-77	3,989	3,100
NC-77	6,085	-
	<u>140,596</u>	<u>143,392</u>
NC-77	15,000	1,000
NC-77	-	-
NC-77	-	5,882
NC-77	-	4,211
NC-77	3,007	-
	<u>3,007</u>	<u>10,093</u>

LAND-OF-SKY REGIONAL COUNCIL

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2009

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified yes no

Significant deficiencies identified
that are not considered to be

material weaknesses yes no

Noncompliance material to financial

statements noted yes no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified yes no

Significant Deficiencies(s) identified
that are not considered to be

material weaknesses yes no

Type of auditor's report issued on compliance for major programs: Unqualified.

Any audit findings disclosed that are required
to be reported in accordance with Section

510(a) of Circular A-133? yes no

Identification of major federal programs:

CFDA#

Program Name or Cluster

93.044 and 93.045

Aging Cluster

94.011, 94.016

Foster Grandparent/Senior Companion Cluster

Dollar threshold use to distinguish between Type A
and Type B programs

\$300,000

Auditee qualified as low-risk auditee yes no

State Awards

Internal control over major state programs:

Material weakness(es) identified yes no

Significant deficiencies identified

that are not considered to be

material weaknesses yes none reported

Type of auditor's report issued on compliance for major programs: Unqualified.

Any audit findings disclosed that are required
to be reported in accordance with State

Single Audit Implementation Act? yes no

Identification of major state programs:

<u>CFDA#</u>	<u>Program Name or Cluster</u>
93.044 and 93.045	Aging Cluster

Section II. Financial Statement Findings

Findings: None

Significant Deficiencies: None

Section III. Federal Award Findings and Questioned Costs

Findings: None

Significant Deficiencies: None

Section IV. State Award Findings and Questioned Costs

Findings: None

Significant Deficiencies: None

Summary Schedule of Prior Year Audit Findings

For the Year Ended June 30, 2009

2008

There were no findings for the year ending June 30, 2008.

2007

There were no findings for the year ending June 30, 2007.

2006

There were no findings for the year ending June 30, 2006.

Elizabeth Keel, pllc

CERTIFIED PUBLIC ACCOUNTANT

One West Pack Square, The BB&T Building, Suite 1506, Asheville, North Carolina 28801, (828) 254-1700

To the North Carolina Local Government Commission:

We did not issue a management letter for Land of Sky Regional Council .

Respectfully,



Elizabeth Keel, pllc

October 30, 2009