

**LAND OF SKY REGIONAL COUNCIL**

**FINANCIAL STATEMENTS AND  
COMPLIANCE REPORT**

For the Year Ended June 30, 2016

**LAND OF SKY REGIONAL COUNCIL**

**ASHEVILLE, NORTH CAROLINA**

**EXECUTIVE COMMITTEE AND BOARD OF DELEGATES**

As of the Financial Statement Release Date

Name	Position	Jurisdiction	Position
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**Executive Committee**

Dona Mennella	Chair	Laurel Park	Commissioner
Mike Hawkins	Vice-Chair	Transylvania County	Chairman
Vacant	Secretary		
Larry Harris	Treasurer	Black Mountain	Alderman
George Goosmann, III	Past Chair	Biltmore Park	Mayor
Wayne Brigman	County Delegate	Madison County	Commissioner
Vacant	Municipal Delegate		
Vacant	Minority Delegate		
Charles Dickens	Aging Delegate		

**Board of Delegates**

Jurisdiction	Primary Delegate	Alternate Delegate(s)
Buncombe County	Robert Pressley	Denise Braine
Henderson County	Grady Hawkins	Larry Rogers
Madison County	Wayne Brigman	Matt Wechtel, Forrest Gilliam
Transylvania County	Mike Hawkins	Jason Chappell
Asheville	Gwen Wisler	Esther Manheimer
Biltmore Forest	George Goosmann, III	Jonathan Kanipe
Black Mountain	Larry Harris	Ryan Stone
Brevard	Charlie Landreth	Mac Morrow, Jim Fatland
Flat Rock	Anne Coletta	Albert Gooch
Fletcher	Bob Davy	Mark Biberdorf
Hendersonville	Barbara Volk	Steve Caraker, Ron Stephens
Hot Springs	Vacant	
Laurel Park	Dona Mennella	Alison Melnikova

**LAND OF SKY REGIONAL COUNCIL**  
**ASHEVILLE, NORTH CAROLINA**  
**EXECUTIVE COMMITTEE AND BOARD OF DELEGATES**

As of the Financial Statement Release Date (Continued)

**Board of Delegates (continued)**

Jurisdiction	Primary Delegate	Alternate Delegate(s)
Mars Hill	John Chandler	Darhyl Boone
Marshall	Jack Wallin	Bille Jean Haynie, Aileen Payne
Montreat	Tim Helms	Bill Gilliland
Rosman	Brian Shelton	
Weaverville	Patrick Fitzsimmons	Dottie Sherrill
Woodfin	Jerry VeHaun	Debbie Giezentanner, Jason Young

**At - Large Delegates**

Jurisdiction	Primary Delegate
Buncombe County	Brenda Mills
Henderson County	John Mitchell
Madison County	Vacant
Transylvania County	Sheila Norman

**Economic Development Delegates**

Jurisdiction	Primary Delegate
Buncombe County	George Morosani
Henderson County	Andrew Tate
Madison County	Ryan Cody
Transylvania County	Josh Hallingse

**Program Representative Delegates**

Charles Dickens	Aging
Gaylyn Justice	Volunteer Services

**LAND OF SKY REGIONAL COUNCIL**  
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June 30, 2016

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## **FINANCIAL SECTION**



## **INDEPENDENT AUDITORS' REPORT**

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

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Land of Sky Regional Council as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Land of Sky Regional Council's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Land of Sky Regional Council as of June 30, 2016, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 11 through 18, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 49 and 50, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2017 on our consideration of the Land of Sky Regional Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Land of Sky Regional Council's internal control over financial reporting and compliance.

*Cannon & Company, S.C.P.*

March 9, 2017

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

**LAND OF SKY REGIONAL COUNCIL**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2016

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

As management of the Land of Sky Regional Council (the Council), we offer readers of the Council's financial statements this narrative overview and analysis of the financial activities of the Land of Sky Regional Council for the fiscal year ended June 30, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Council's financial statements, which follow this narrative.

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

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

### **Financial Highlights**

- The assets and deferred outflows of resources of the Council exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$1,334,911 (net position).
- The Council's total net position increased by \$608,096.
- As of the close of the current fiscal year, the Council's governmental funds reported combined ending fund balances of \$1,795,142, an increase of \$689,852 in comparison with the prior year. Of this total amount, \$899,274 is restricted by state statute.
- At the end of the current fiscal year, unassigned net position for the General Fund was \$551,384.

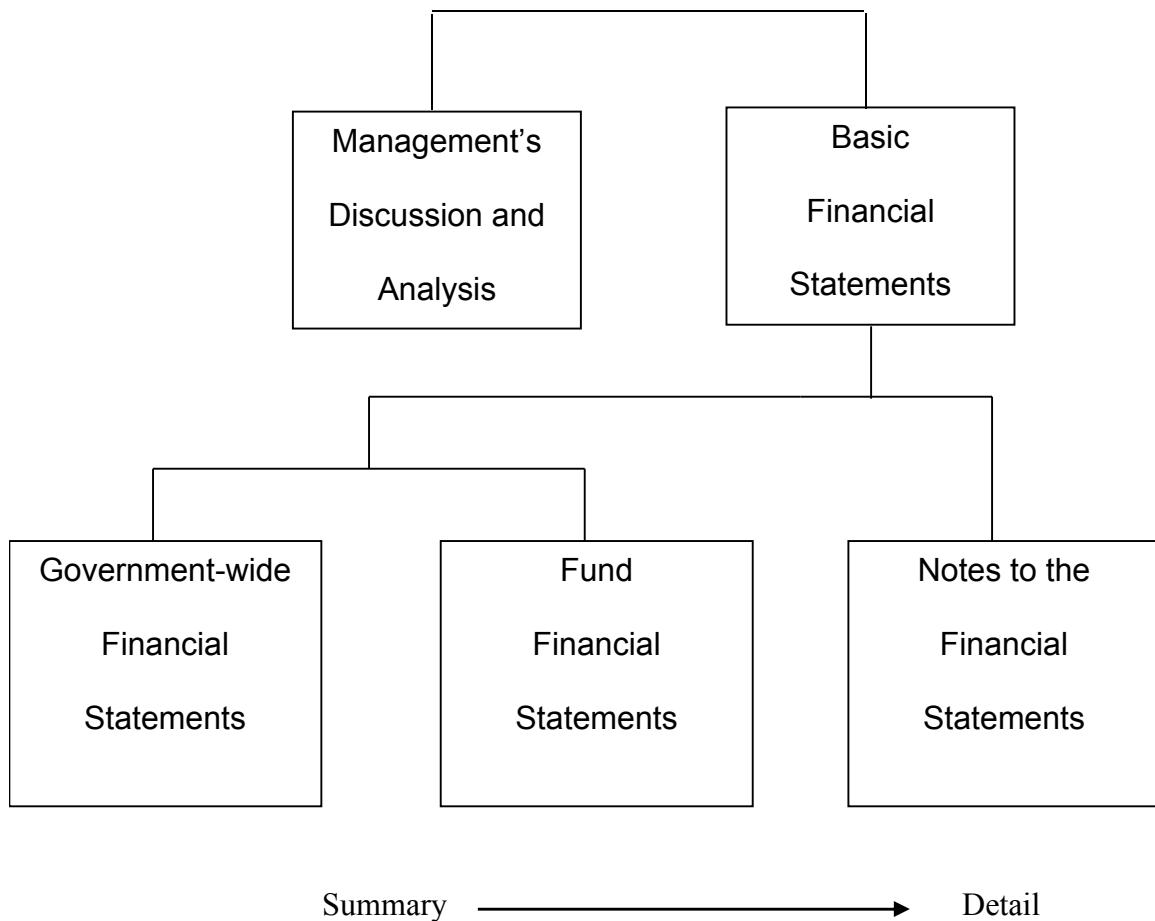
### **Overview of the Financial Statements**

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

**LAND OF SKY REGIONAL COUNCIL**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2016

**Required Components of Annual Financial Report**

**Figure 1**



**Basic Financial Statements**

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

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

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

**LAND OF SKY REGIONAL COUNCIL**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2016

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## **Government-Wide Financial Statements**

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

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

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

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

## **Fund Financial Statements**

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

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

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

**LAND OF SKY REGIONAL COUNCIL**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2016

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

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

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

### Government – Wide Financial Analysis

**Land of Sky Regional Council**  
**Net Assets**

**Table A-1**

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
Current and other assets	\$ 3,497,598	\$ 2,864,237
Capital assets	1,493,647	1,612,877
Long term note receivable	983,613	973,830
Pension asset	-	239,201
Deferred outflows of resources	<u>136,809</u>	<u>135,215</u>
Total assets and deferred outflows of resources	<u>6,111,667</u>	<u>5,825,360</u>
Current liabilities	1,510,093	1,512,210
Long-term liabilities outstanding	2,757,950	2,699,958
Deferred inflows of resources	<u>508,713</u>	<u>886,377</u>
Total liabilities and deferred inflows of resources	<u>4,776,756</u>	<u>5,098,545</u>
Net position		
Invested in capital assets, net of related debt	(115,747)	3,483
Restricted	899,274	683,850
Unrestricted	<u>551,384</u>	<u>39,482</u>
Total net position	<u><u>\$ 1,334,911</u></u>	<u><u>\$ 726,815</u></u>

**LAND OF SKY REGIONAL COUNCIL**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2016

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As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Council exceeded liabilities and deferred inflows by \$1,334,911 as of June 30, 2016. The Council's net assets increased by \$608,096 for the fiscal year ended June 30, 2016. A portion of the Council's net position, \$(115,747), reflects the Council's net investment in capital assets. An additional portion of the Land of Sky Regional Council net position of \$899,274 represents resources that are subject to external restrictions on how they may be used. All of this amount is restricted by the State's Stabilization by State Statute.

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

**Table A-2**

Governmental Activities

	2016	2015
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 1,615,975	\$ 804,586
Operating grants and contributions	10,556,407	10,190,285
General revenues:		
Other revenues	199,524	286,119
Unrestricted investment earnings	1,251	256
	<u>12,373,157</u>	<u>11,281,246</u>
<b>Expenses:</b>		
General government	33,737	34,372
Economic and community development	397,416	730,031
Human services	5,552,695	5,454,648
Environmental protection	432,120	514,183
Transportation	3,367,358	1,750,448
Workforce development	1,981,735	2,545,561
Total Expenses	<u>11,765,061</u>	<u>11,029,243</u>
Increase in net position	608,096	252,003
Net position, beginning	726,815	474,812
Net assets, June 30	<u>\$ 1,334,911</u>	<u>\$ 726,815</u>

**Governmental activities.** Governmental activities increased the Council's net position by \$608,096. The current year increase reflects the changes in costs associated with the Council placing its focus on local economic development and the performance of services related to those contracts in cooperation with member governments in its region.

**LAND OF SKY REGIONAL COUNCIL**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2016

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

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

**Governmental Funds.** The focus of the Council's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Land of Sky Regional Council's financial requirements. 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 is the chief operating fund of the Council. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$895,868, while total fund balance reached \$1,795,142, an increase of \$689,852 (62.41%) from the prior year. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represented 7.67% percent of total General Fund expenditures. Total fund balance represented 15.37% percent of total General Fund expenditures.

**Governmental Funds Budgetary Highlights:** During the fiscal year, the Council revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Amendments to the Funds increased the budget by \$1,195,792.

**LAND OF SKY REGIONAL COUNCIL**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2016

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**Capital Asset and Debt Administration**

**Capital assets.** The Council's investment in capital assets for its governmental activities as of June 30, 2016, totals \$1,493,647, (net of accumulated depreciation). These assets include office space and leasehold improvements, vehicles, office and computer equipment and software.

There were no major capital assets transactions during the year.

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

**Table A-3**

	Governmental Activities	
	2016	2015
Building	\$ 1,431,086	\$ 1,511,833
Vehicles	14,215	19,901
Equipment	48,346	81,143
Total	<u>\$ 1,493,647</u>	<u>\$ 1,612,877</u>

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

**Debt Administration**

As of June 30, 2016, the outstanding debt of the Council consisted of \$1,609,394 of capital leases related to the Council building. Of total outstanding debt, \$112,136 is included in current liabilities. Additional information on the Council's capital lease can be found in Note K of the Basic Financial Statements.

	Governmental Activities	
	2016	2015
Capital lease		
Current portion	\$ 112,136	\$ 56,650
Long term portion	1,497,258	1,552,744
Total capital lease	<u>\$ 1,609,394</u>	<u>\$ 1,609,394</u>

**LAND OF SKY REGIONAL COUNCIL**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2016

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### **Economic Factors and Next Year's Budgets and Rates**

- Although health care costs continue to rise, the Council expects to see continued savings through enrollment in the State Health Plan for medical insurance as compared to being in enrolled in smaller groups.
- The Council expects to continue to grow fee-for-service activities in the areas of human services and technical assistance.
- Possible cuts to the Appalachian Regional Commission and Economic Development Administration proposed by the new federal administration could have a significant negative impact on the Council's financial condition. These proposed cuts will be monitored closely.
- The Council continues to examine possibilities of merging or sharing administrative and program functions with other regional councils. This could possibly result in long-term cost savings and, more importantly, allow for a more sustainable, flexible organizational structure.

### **Requests for Information**

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

## **BASIC FINANCIAL STATEMENTS**

**LAND OF SKY REGIONAL COUNCIL**  
**STATEMENT OF NET POSITION**  
June 30, 2016

	Primary Government Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 1,716,430
Accounts receivable	<u>1,781,168</u>
Total current assets	<u>3,497,598</u>
Non-current assets:	
Capital assets:	
Depreciable, net of related depreciation	<u>1,493,647</u>
Total capital assets	<u>1,493,647</u>
Long term notes receivable	<u>983,613</u>
Total assets	<u>5,974,858</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension deferrals	<u>136,809</u>
Total deferred outflows of resources	<u>136,809</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	1,112,315
Accrued expenses	<u>285,642</u>
Current portion of long-term obligations	<u>112,136</u>
Total	<u>1,510,093</u>
Long-term liabilities:	
Noncurrent portion of long-term obligations	1,497,258
Net pension liability	<u>127,189</u>
Due to the revolving loan fund	<u>983,613</u>
Accrued vacation	<u>149,890</u>
Total liabilities	<u>4,268,043</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension deferrals	137,424
Unearned revenue	<u>371,289</u>
Total deferred inflows of resources	<u>508,713</u>
<b>NET POSITION</b>	
Net investment in capital assets	(115,747)
Restricted:	
Stabilization by State Statute	899,274
Unrestricted	<u>551,384</u>
Total net position	<u>\$ 1,334,911</u>

**LAND OF SKY REGIONAL COUNCIL**

## STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position	
	Primary Government		Primary Government		
	Expenses	Charges for Services			
Primary government:			Total Governmental Activities		
Governmental Activities:					
General government	\$ 33,737	\$ 6,915	\$ 67,677	\$ 40,855	
Economic and community development	397,416	117,695	279,721	-	
Human services	5,552,695	62,161	5,490,533	(1)	
Environmental protection	432,120	46,775	385,345	-	
Transportation	3,367,358	1,379,800	2,354,025	366,467	
Workforce development	1,981,735	2,629	1,979,106	-	
Total primary government	<u>\$ 11,765,061</u>	<u>\$ 1,615,975</u>	<u>\$ 10,556,407</u>	<u>\$ 407,321</u>	
<b>General revenues:</b>					
Other income				147,561	
Local governmental dues				51,963	
Unrestricted investment earnings				1,251	
Total general revenues				<u>200,775</u>	
Change in net position					
Net position - beginning, previously reported				608,096	
Net position - ending				<u>\$ 726,815</u>	
				<u>\$ 1,334,911</u>	

## **FUND FINANCIAL STATEMENTS**

**LAND OF SKY REGIONAL COUNCIL**  
**BALANCE SHEETS**  
**GOVERNMENTAL FUNDS**  
June 30, 2016

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	<u>Major Fund</u>	Total
	<u>General Fund</u>	<u>Governmental Funds</u>
<b>ASSETS</b>		
Cash and investments	\$ 1,716,430	\$ 1,716,430
Accounts receivable:		
Grants and contracts	1,770,439	1,770,439
Other	10,729	10,729
Note receivable from Revolving Loan Program	<u>983,613</u>	<u>983,613</u>
Total assets	<u><u>\$ 4,481,211</u></u>	<u><u>\$ 4,481,211</u></u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$ 43,491	\$ 43,491
Accrued liabilities	285,642	285,642
Due to sub-recipients and beneficiaries	745,635	745,635
Due to other governments	256,399	256,399
Due to the Revolving Loan Fund	<u>983,613</u>	<u>983,613</u>
Total liabilities	<u><u>2,314,780</u></u>	<u><u>2,314,780</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unearned revenue	<u>371,289</u>	<u>371,289</u>
Total deferred inflows of resources	<u><u>371,289</u></u>	<u><u>371,289</u></u>
<b>FUND BALANCES</b>		
Restricted:		
Stabilization by State Statute	899,274	899,274
Unassigned	<u>895,868</u>	<u>895,868</u>
Total fund balances	<u><u>1,795,142</u></u>	<u><u>1,795,142</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 4,481,211</u></u>	<u><u>\$ 4,481,211</u></u>

**LAND OF SKY REGIONAL COUNCIL**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
June 30, 2016

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

Total fund balance, governmental funds	\$ 1,795,142
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Gross capital assets at historical cost	2,471,208
Accumulated depreciation	<u>(977,561)</u> 1,493,647
Deferred outflows of resources related to the pension are not reported in the funds	136,809
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	
Obligations under capital leases	(1,609,394)
Accrued interest expense	(66,790)
Compensated absences	(149,890)
Net pension liability	<u>(127,189)</u> (1,953,263)
Deferred inflows of resources related to pensions are not reported in the funds	<u>(137,424)</u>
Net position of governmental activities	<u>\$ 1,334,911</u>

**LAND OF SKY REGIONAL COUNCIL****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2016

	<u>Major Funds</u>		<u>Total</u>
	<u>General Fund</u>	<u>Governmental Funds</u>	
<b>REVENUES</b>			
Federal government	\$ 5,739,181		\$ 5,739,181
State of North Carolina	2,005,123		2,005,123
Local governmental awards and membership dues	4,194,399		4,194,399
Facilities and other income	281,787		281,787
Private	36,841		36,841
In-kind	114,575		114,575
Interest income	1,251		1,251
<b>Total revenues</b>	<b>12,373,157</b>		<b>12,373,157</b>
<b>EXPENDITURES</b>			
General government	(48,019)		(48,019)
Economic and community development	397,416		397,416
Human services	5,552,695		5,552,695
Environmental protection	432,120		432,120
Workforce development	1,981,735		1,981,735
Transportation	3,367,358		3,367,358
<b>Total expenditures</b>	<b>11,683,305</b>		<b>11,683,305</b>
Net change in fund balance	689,852		689,852
Fund balances, beginning	<u>1,105,290</u>		<u>1,105,290</u>
Fund balances, ending	<u>\$ 1,795,142</u>		<u>\$ 1,795,142</u>

**LAND OF SKY REGIONAL COUNCIL****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2016

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

Net changes in fund balances - total governmental funds	\$ 689,852
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Depreciation expense for governmental assets	(119,230)
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Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	135,981
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of longterm debt and related items.

Increase in accrued interest payable	(66,790)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued vacation leave	23,493
Pension expense	(55,210)      (31,717)

Total changes in net position of governmental activities	<u><u>\$ 608,096</u></u>
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**LAND OF SKY REGIONAL COUNCIL****GENERAL FUND****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -****BUDGET AND ACTUAL**

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>				
Federal government	\$ 6,944,497	\$ 6,943,787	\$ 5,739,181	\$ (1,204,606)
State of North Carolina	2,121,814	2,330,442	2,005,123	(325,319)
Local governmental awards and membership dues	3,450,896	4,221,042	4,194,399	(26,643)
Facilities and other income	190,200	313,345	281,787	(31,558)
Private	121,048	138,642	36,841	(101,801)
In-kind	94,336	171,325	114,575	(56,750)
Interest income	-	-	1,251	1,251
Total revenues	<u>12,922,791</u>	<u>14,118,583</u>	<u>12,373,157</u>	<u>(1,745,426)</u>
<b>Expenditures:</b>				
General government	267,311	311,975	(48,019)	359,994
Economic and community development	501,200	554,425	397,416	157,009
Human services	5,648,438	5,860,759	5,552,695	308,064
Environmental protection	608,750	855,279	432,120	423,159
Workforce development	2,493,646	2,577,275	1,981,735	595,540
Transportation	<u>3,403,446</u>	<u>3,958,870</u>	<u>3,367,358</u>	<u>591,512</u>
Total expenditures	<u>12,922,791</u>	<u>14,118,583</u>	<u>11,683,305</u>	<u>2,435,278</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>689,852</u>	<u>\$ 689,852</u>
Fund balance, beginning			<u>1,105,290</u>	
Fund balance, ending			<u>\$ 1,795,142</u>	

**LAND OF SKY REGIONAL COUNCIL**  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2016

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	<u>\$ 32,906</u>
<b>LIABILITIES</b>	
Held in trust for other purposes	<u>\$ 32,906</u>

## **NOTES TO THE FINANCIAL STATEMENTS**

**LAND OF SKY REGIONAL COUNCIL**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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

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

**General**

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

**Reporting Entity**

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

**Basis of Presentation**

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

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

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

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

**LAND OF SKY REGIONAL COUNCIL**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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

The Council reports the following major governmental funds:

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

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

- ***WNC Highway Corridors Association*** – This fund accounts for the assets and activities of the I-26 Corridor Association, an unincorporated associated for which the Council acts as a 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 a fiscal agent.

Measurement Focus and Basis of Accounting

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

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

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

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

**LAND OF SKY REGIONAL COUNCIL**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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

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

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

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

**Budgetary Data**

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

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

*Deposits and Investments:*

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

**LAND OF SKY REGIONAL COUNCIL**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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

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

*Cash and cash equivalents:*

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

*Capital Assets:*

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

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

Asset Class	Estimated Useful Lives
Building	26
Building improvements	7-15
Vehicles	6
Furniture and equipment	3-10
Copiers	5-7
Computer equipment and software	4-5

*Deferred outflows/inflows of resources:*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Council has one item that met this criterion, contributions made to the pension plan in the 2016 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate

**LAND OF SKY REGIONAL COUNCIL**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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

financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Council has two items that meet the criterion for this category, listed in Note H - deferrals of pension expense that result from the implementation of GASB Statement 68 and resources from federal, state and local awards that have not been earned.

*Long-Term Obligations:*

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

*Compensated Absences:*

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

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

*Net position/Fund Balances:*

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

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

The government fund types classify fund balance as follows:

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

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

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

**LAND OF SKY REGIONAL COUNCIL**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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

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

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

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

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

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

**Revenues, Expenditures and Expenses**

*Indirect cost allocation:*

Indirect costs are allocated to the various grants at 46% of direct salaries and fringe benefits for the year ended June 30, 2016. The Appalachian Regional Commission, the Council's oversight agency has reviewed and found no fault in the provisional rate. The Council must account for differences between estimated and actual indirect costs by either: a) making an adjustment to its future indirect cost rate for the difference carried forward or b) making adjustments to the costs charged to the various programs based on the actual charges. The actual indirect cost rate for the year ended June 30, 2016 is 39.14% of direct salaries and fringe.

**Grant Revenue**

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

**In-Kind Contributions**

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

**LAND OF SKY REGIONAL COUNCIL**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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

**Pensions**

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

**Use of Estimates**

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

**NOTE B - CASH AND INVESTMENTS**

**Deposits**

All the deposits of the Council are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Council's agent in the Council's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Council, these deposits are considered to be held by the Council's agent in the Council's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Council or the escrow agent. Because of the inability to measure the exact amount of collateral pledges for the Council under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Council has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Council complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

**LAND OF SKY REGIONAL COUNCIL**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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

At June 30, 2016, the Council's deposits had a carrying amount of \$1,238,265 and a bank balance of \$1,606,050. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$1,356,050 in deposits was covered by collateral held under the pooling method. At June 30, 2016, the Council's petty cash fund totaled \$250.

In addition to these cash amounts, \$32,906 is held in the Council operating account for programs where the Council serves as fiscal agent.

Investments

At June 30, 2016, the Land of Sky Regional Council had \$477,915 invested with the North Carolina Capital Management Trust (NCCMT). Of these amounts with the NCCMT, \$277,098 was invested with the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, valued at fair value, which is the NCCMT's share price. The Cash Portfolio carried a credit rating of AAAm by Standard and Poor's at June 30, 2016. The Council had \$200,817 invested in the NCCMT Term Portfolio. These securities are also valued at fair value. The Term Portfolio duration is less than three months and is not rated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30, as amended. The Council has no formal investment policy and no policy regarding credit risk.

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

	<u>Exhibit A</u>
Cash in operating accounts	\$ 1,238,265
Cash held with NCCMT	477,915
Petty cash	250
	<u>\$ 1,716,430</u>

**NOTE C – RECEIVABLES**

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

**LAND OF SKY REGIONAL COUNCIL**  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2016

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**NOTE C – RECEIVABLES (CONTINUED)**

Balance, June 30, 2015	\$ 973,830
Add: interest earned	9,783
Less: principal payments	-
Balance, June 30, 2016	<u><u>\$ 983,613</u></u>

**NOTE D - CAPITAL ASSETS**

**Primary Government**

Capital asset activity for the primary government for the year ended June 30, 2016, was as follows:

	Beginning Balances	Additions	Disposals	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets being depreciated:</b>				
Building	\$ 2,077,155	\$ -	\$ -	\$ 2,077,155
Vehicles	55,931	-	-	55,931
Equipment	338,122	-	-	338,122
Total capital assets being depreciated	<u>2,471,208</u>	<u>-</u>	<u>-</u>	<u>2,471,208</u>
<b>Less accumulated depreciation for:</b>				
Buildings	565,322	80,747	-	646,069
Vehicles	36,030	5,686	-	41,716
Equipment	256,979	32,797	-	289,776
Total accumulated depreciation	<u>858,331</u>	<u>\$ 119,230</u>	<u>-</u>	<u>977,561</u>
<b>Governmental activity capital assets, net</b>	<b><u>\$ 1,612,877</u></b>			<b><u>\$ 1,493,647</u></b>

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

Local Government Employees' Retirement System

Plan Description. The Council is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental

**LAND OF SKY REGIONAL COUNCIL**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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

Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Council employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Council's contractually required contribution rate for the year ended June 30, 2016, was 6.77% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Council were \$135,981 for the year ended June 30, 2016.

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

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

At June 30, 2016, the Council reported a liability of \$127,189 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Council's proportion of the net pension liability was based on a projection of the Council's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Council's proportion was 0.02834%, which was a decrease of 0.012% from its proportion measured as of June 30, 2014.

**LAND OF SKY REGIONAL COUNCIL**  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2016

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

For the year ended June 30, 2016, the Council recognized pension expense of \$55,210. At June 30, 2016 the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 29,896
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	36,210
Changes in proportion and differences between Council contributions and proportionate share of contributions	828	71,318
Council contributions subsequent to the measurement date	135,981	-
<b>Total</b>	<b>\$ 136,809</b>	<b>\$ 137,424</b>

\$135,981 reported as deferred outflows of resources related to pensions resulting from Council contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2017	\$ (60,584)
2018	(60,584)
2019	(60,541)
2020	45,113
2021	-
Thereafter	-
	<b><u>\$ (136,596)</u></b>

*Actuarial Assumptions.* The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

**LAND OF SKY REGIONAL COUNCIL**  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE E – PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (CONTINUED)**

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily

**LAND OF SKY REGIONAL COUNCIL**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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

required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Council's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Council's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Council's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	Discount		
	1% Decrease (6.25%)	Rate (7.25%)	1% Increase (8.25%)
Council's proportionate share of the net pension liability (asset)	\$ 886,900	\$ 127,189	\$ (512,852)

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

Supplemental Retirement Income Plan.

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

*Funding policy* - The Council contributes, at each payroll, four percent of each employee's salary. All amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2016 totaled \$121,447, which consisted of \$71,838 from the Council and \$49,609 from employees.

**NOTE F - OTHER EMPLOYMENT BENEFITS**

The Council has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or

**LAND OF SKY REGIONAL COUNCIL**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE F - OTHER EMPLOYMENT BENEFITS (CONTINUED)**

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

**NOTE G – OTHER POSTEMPLOYMENT BENEFITS**

Plan Description. Under the terms of a Council resolution, the Council administers a single-employer defined benefit health reimbursement plan. The plan provides for a payment of a fixed portion of health insurance premiums until Medicare eligible, current expectation is age 65. Eligible employees must have had 20 or more years of service as of July 1, 2004.

Funding Policy. The Council has elected to fund the Other Postemployment Benefits on a pay as you go basis. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. These expenditures are paid as they come due. In the fiscal year ended June 30, 2016, the Council did not have expenditures for postemployment.

Annual OPEB Cost and New OPEB Obligation. The Council's annual other postemployment benefit (OPEB) cost (expense) is unfunded. The Council has elected to calculate and budget for the actual projected expenses under the terms of the plan as they can be reasonably projected. As a result, the annual required contribution of the employer (ARC) is zero. The traditional OPEB table is not applicable for Council OPEB disclosures as the Council has elected to fund OPEB benefits on a pay as you go basis, there were no OPEB obligations during the current year and the eligible employee is not scheduled to retire in the coming fiscal year.

The Council does not have an annual OPEB cost nor does it record an annual OPEB obligation. The Council will record the OPEB obligation upon the requirement of the one eligible employee and OPEB costs will be incurred at that time.

Funding Status and Funding Progress. During the prior year, the Council abandoned the use of actuarial calculations and specifically calculated the maximum possible benefits for the one eligible participant in the plan at \$26,940; all of which is unfunded. The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amount determined regarding the funded status of the plan and the

**LAND OF SKY REGIONAL COUNCIL**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE G – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

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

	<b>Deferred Outflows of Resources</b>
Changes in proportion and differences between Council contributions and proportionate share of contributions	\$ 828
Council contributions subsequent to the measurement date	<u>135,981</u>
Total deferred outflows of resources	<u><u>\$ 136,809</u></u>

	<b>Deferred Inflows of Resources</b>
Pension deferrals	\$ 137,424
Unearned revenue	<u>371,289</u>
Total deferred inflows of resources	<u><u>\$ 508,713</u></u>

**NOTE I - RISK MANAGEMENT**

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council participates in a self-funded risk financing pool administered by the North Carolina League of Municipalities. Through this pool, the Council obtains general liability and property coverage of equal to replacement cost values of owned property. The pool will pay the first \$500,000 of claims and is reinsured through a commercial company for single occurrence claims for up to an additional \$500,000.

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

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

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

**LAND OF SKY REGIONAL COUNCIL**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE J - CONTINGENCIES**

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

**NOTE K – LONG-TERM OBLIGATIONS**

In January of 2008, the Council entered into a lease-purchase agreement with Buncombe County for the purpose of acquiring the office space at 339 Leicester Crossing. During the year ended June 30, 2015, the Council returned a portion of the office space to the County, and the original agreement was terminated and replaced with a new agreement for the remaining space with a debt balance representing the portion related to the remaining space, \$1,609,394. The new lease-purchase agreement requires semi-annual payments of \$61,429 through June 30, 2034 and one final payment of \$19,020 in December 2034. No payments were made during the year ended June 30, 2016.

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

2017	\$ 245,716
2018	122,858
2019	122,858
2020	122,858
2021	122,858
Thereafter	1,616,569
	<hr/>
	2,353,717
Less interest	(744,323)
Present value of minimum lease payments	1,609,394
Less current portion	(112,136)
Long-term lease obligation	<hr/> <hr/> \$ 1,497,258

**LAND OF SKY REGIONAL COUNCIL**  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2016

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

Changes in long-term obligations for the fiscal year ended June 30, 2016 are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
Long-term portion of facilities lease	\$ 1,552,744	\$ -	\$ 55,486	\$ 1,497,258
Current portion of facilities lease	56,650	55,486	-	112,136
Total facilities lease balance	<u>\$ 1,609,394</u>	<u>\$ 55,486</u>	<u>\$ 55,486</u>	<u>\$ 1,609,394</u>
Long-term portion of facilities lease	\$ 1,552,744	\$ -	\$ 55,486	\$ 1,497,258
Long-term RLF program note	973,830	9,783	-	983,613
Obligation for accrued leave	173,384	163,056	186,550	149,890
Long-term debt	<u>\$ 2,699,958</u>	<u>\$ 172,839</u>	<u>\$ 242,036</u>	<u>\$ 2,630,761</u>

**NOTE L – LEASE OBLIGATIONS**

The Council leases various pieces of equipment, such as copiers and postage meters, on a month-to-month basis. Rent expense for the year ended June 30, 2016, was \$23,262.

The following is a summary of future operating lease commitments:

	Amount
2017	\$ 24,483
2018	22,620
2019	5,655
2020	2,262
2021	943
Thereafter	-
	<u>\$ 55,963</u>

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

	<u>Governmental</u>
Capital assets	\$ 1,493,647
Less long-term debt	1,609,394
Net investment in capital asset	<u>\$ (115,747)</u>

**LAND OF SKY REGIONAL COUNCIL**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE N – FUND BALANCE**

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

Total fund balance - General Fund	\$ 1,795,142
Stabilization by State Statute	899,274
Remaing fund balance	<u><u>\$ 895,868</u></u>
Calculated as follows:	
Unrestricted cash and investments	\$ 1,716,430
Less liabilities:	
Total liabilities per fund balance sheet	2,314,780
Net of due to revolving loan fund as payable	
from notes receivable from revolving loan fund	(983,613)
Net of liabilities payable from grants and contracts	
receivable	<u><u>(881,894) 449,273</u></u>
Less encumbrances:	
Total encumbrances per notes to the financial statements	482,751
Less encumbrances payable from grants once expenditure is incurred	<u><u>(482,751) -</u></u>
Less unearned revenue arising from cash receipts	<u><u>371,289</u></u>
Fund balance available for appropriation	895,868
Fund balance per fund balance sheet	<u><u>1,795,142</u></u>
Fund balance restricted by State Statute	<u><u>\$ 899,274</u></u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. These encumbrances for the general fund amount to \$482,751 at June 30, 2016.

**NOTE O – SUBSEQUENT EVENTS**

Subsequent events were evaluated through March 9, 2017, which is the date the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTARY FINANCIAL DATA**

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

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

**LAND OF SKY REGIONAL COUNCIL**

LAND OF SKY REGIONAL COUNCIL'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)

REQUIRED SUPPLEMENTARY INFORMATION

LAST THREE FISCAL YEARS\*

For the Fiscal Year Ended June 30, 2016

**Local Government Employees' Retirement System**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Land of Sky Regional Council's proportion of the net pension liability (asset) (%)	0.02834%	0.04056%	0.04140%
Land of Sky Regional Council's proportion of the net pension liability (asset) (\$)	\$ 127,189	\$ (239,201)	\$ 499,029
Land of Sky Regional Council's covered-employee payroll	\$ 1,896,903	\$ 2,427,394	\$ 2,596,109
Land of Sky Regional Council's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	6.71%	-9.85%	19.22%
Plan fiduciary net position as a percentage of the total pension liability	98.09%	102.64%	94.35%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30. Information is not available for years prior to those presented.

**LAND OF SKY REGIONAL COUNCIL**

LAND OF SKY REGIONAL COUNCIL'S CONTRIBUTIONS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 LAST THREE FISCAL YEARS  
 For the Fiscal Year Ended June 30, 2016

**Local Government Employees' Retirement System**

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

**INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

**LAND OF SKY REGIONAL COUNCIL****GENERAL FUND****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -****BUDGET AND ACTUAL**

For the Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>Revenues:</b>			
Federal government	\$ 6,943,787	\$ 5,739,181	\$ (1,204,606)
State of North Carolina	2,330,442	2,005,123	(325,319)
Local governmental awards and membership dues	4,221,042	4,194,399	(26,643)
Facilities and other income	313,345	281,787	(31,558)
Private	138,642	36,841	(101,801)
In-kind	171,325	114,575	(56,750)
Interest income	-	1,251	1,251
Total revenues	<u>14,118,583</u>	<u>12,373,157</u>	<u>(1,745,426)</u>
<b>Expenditures:</b>			
General government			
Council operations	311,975	120,666	191,309
Overhead administration	-	(168,685)	168,685
Subtotal for general government	<u>311,975</u>	<u>(48,019)</u>	<u>359,994</u>
<b>Human services</b>			
Buncombe Co. Supplemental Funds for Aging Services	508,595	507,332	1,263
MIPPA 10/1/15-9/30/16	11,050	8,840	2,210
Active Aging/Fall Prevention ND	1,651	395	1,256
MIPPA 9/30/14-9/29/15	11,491	11,491	-
Buncombe Co Aging P & A FY	34,671	34,671	-
Aging - Planning FY	245,249	209,989	35,260
SB1559 Aging Funds P & A FY	48,262	48,260	2
Aging - Health Promotions FY	44,577	44,577	-
MAHECHlth Assessmnt ND	5,000	-	5,000
Community Resource Connection FY	60,000	59,671	329
Aging - Services FY	2,995,480	2,909,425	86,055
Senior Center Outreach & Gen Purpose FY	50,667	50,667	-
Project Fan/Heat Relief ND	5,029	5,029	-
Family Caregiver Support FY	205,070	205,067	3
FCSP Event ND	808	-	808
Project CARE Carryover ND	14,607	147	14,460
Project CARE Admin FY	95,293	94,691	602
CDSMP Self-Sustaining ND	3,154	890	2,264
Buncombe Co. - Minority Health 6/1/15- 9/30/16	16,847	16,847	-
CDSM - UNCA-10/1/15 - 8/31/17	14,601	12,015	2,586
Regional Ombudsman FY	316,327	316,107	220
Elder Abuse FY	7,446	7,445	1
Buncombe Co. CAC Support FY	2,000	2,000	-
Just Press Play ND	5,059	200	4,859
Senior Community Service Employment Program FY	200,130	200,130	-

**LAND OF SKY REGIONAL COUNCIL****GENERAL FUND****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL (CONTINUED)**

For the Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
SCSEP - Local ND	1,172	-	1,172
Volunteer Services Fundraising NC	7,000	4,434	2,566
RSVP 4/1/15 - 3/31/16	129,567	83,049	46,518
FGP FY	339,344	335,654	3,690
Senior Companion FY	480,612	383,672	96,940
Subtotal for human services	<u>5,860,759</u>	<u>5,552,695</u>	<u>308,064</u>
Environmental protection			
WRP - Energy T/A for USI Prgm ND	14,000	6,769	7,231
DPPEA SWMTF WRP 7/15-6/18	50,000	50,000	-
WRP - City of AVL Water 7/16-6/17	15,000	15,000	-
WRP - Private ND	8,075	961	7,114
WRP - Tobacco Trust Fund 10/14-9/16	15,800	12,760	3,040
WRP - EPA Lean & Green 10/1/13-6/30/16	9,953	9,954	(1)
WRP - RUS Solid Waste 10/1/14-9/30/16	30,874	27,425	3,449
WRP - USDA/REAP 4/24/15-4/23/16	39,484	39,484	-
WRP - RUS Solid Waste 10/1/15-9/30/16	56,250	60,927	(4,677)
WRP - USDA REAP REDA 4/1/16-3/30/18	15,000	15,518	(518)
EPA Reg Brownsfields Init RLF Admin 10/04-9/16	293,403	21,447	271,956
Brownsfields Conference Fundraising ND	2,610	-	2,610
Clean Air Campaign ND	9,308	2,614	6,694
CMAQ - DOT 12/17/13-12/31/17	67,000	39,983	27,017
Blue Ridge Parkway, Clean Cities 2/27/13-12/31/15	523	523	-
DOE - Clean Cities Program Support ND	49,104	29,178	19,926
DOE - NETL Clean Cities 2/1/16-1/31/18 FG	18,750	8,835	9,915
US DOE/SADI/Triangle J SE Alt Fuel Veh 7/1/15-1/14/17	19,750	3,354	16,396
REV Recycling Education Vehicle ND	29,995	7,487	22,508
RUS - Solid Waste 10/1/14-9/30/16	26,916	26,916	-
Riverweek ND	565	-	565
PRF - French Broad Stormwater	4,169	-	4,169
205(j) Black Mtn Watershed Plan	25,000	25,000	-
WNC Stormwater Partnership 11/23/15-4/14/17	20,000	169	19,831
RUS - Solid Waste (EDC) 10/1/15-9/30/16	33,750	27,816	5,934
Subtotal for environmental protection	<u>855,279</u>	<u>432,120</u>	<u>423,159</u>
Economic and community development			
ARC LDD 1/2015-12/2015	74,876	74,877	(1)
ARC Administration 1/1-12/31/16	79,398	18,066	61,332
EDA 2015, 1/1/15-12/31/17	90,174	67,560	22,614
Marshall Technical Assistance FY	50,000	50,000	-
Black Mountain SW T/A	6,808	6,808	-
Town of Black Mountain - GIS & GPS Svcs-FY	4,000	4,000	-
Town of Fletcher - GIS T/A-11/1/15-6/30/16	2,500	2,000	500

**LAND OF SKY REGIONAL COUNCIL****GENERAL FUND****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -****BUDGET AND ACTUAL (CONTINUED)**

For the Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
ARC TA 10/14-9/15	19,590	19,590	-
ARC TA - Community Development 10/1/15-9/30/16	20,625	17,056	3,569
USDA Agriventures 9/13/16	66,772	61,417	5,355
CFWNC Agriventures ND	42,446	15,259	27,187
CDGB Grantwriting	750	-	750
EDA Craft Beverage 8/21/14-8/21/15	6,696	6,696	-
NADO Craft Beverage Chain ND	3,500	-	3,500
Hend Co. DCBG Dodd-Meadows 9/11/13-8/31/16	19,040	14,268	4,772
CDBG Marshall Infrastructure 6/6/15-7/3/18	47,000	29,569	17,431
NC Comm Marshall Infras 12/21/15-7/3/18	10,000	-	10,000
Buncombe Co Fair Housing Plan Imple. TA FY	10,250	10,250	-
Subtotal for economic and community development	<u>554,425</u>	<u>397,416</u>	<u>157,009</u>
Transportation			
Buncombe Co. NEMT Medicaid Transportation FY	2,634,920	2,414,885	220,035
RPO FY	115,625	115,625	-
Mountain Mobility Admin FY	297,246	274,486	22,760
RIDE (5317) New Freedom FY	120,000	121,828	(1,828)
Mountain Mobility-5317-EDTAP FY	36,690	29,579	7,111
Mountain Mobility - Call A Ride	8,500	2,318	6,182
French Broad River MPO FY	387,164	313,409	73,755
FBR MPO Special Studies FY	283,725	54,592	229,133
TDM Coordinator FY	75,000	40,636	34,364
Subtotal for transportation	<u>3,958,870</u>	<u>3,367,358</u>	<u>591,512</u>
Workforce development			
MAWD - Administration	201,524	198,985	2,539
WIA - Special Activities	2,509	2,509	-
MAWD IWP 1/15/16-4/30/17	25,678	382	25,296
MAWD Adult Services	725,139	565,131	160,008
MAWD Dislocated Worker Services	640,890	513,230	127,660
MAWD IWP 5/30/14-9/30/15	2,625	2,625	-
MAWD IWP 12/17/14-3/31/16	13,064	13,064	-
MAWD Youth Svcs (out of school)	705,191	522,140	183,051
MAWD Youth Svcs (in school)	155,655	146,115	9,540
MAWD Career Pathways Mfg 10/19/15-7/1/17	30,000	14,554	15,446
MAWD Career Pathways Contractor 6/10/16-6/30/17	75,000	3,000	72,000
Subtotal for workforce development	<u>2,577,275</u>	<u>1,981,735</u>	<u>595,540</u>

**LAND OF SKY REGIONAL COUNCIL****GENERAL FUND****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL (CONTINUED)**

For the Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Total expenditures	<u>14,118,583</u>	<u>11,683,305</u>	<u>2,435,278</u>
Net change in fund balance	\$ <u>-</u>	<u>689,852</u>	<u>\$ 689,852</u>
Fund balance, beginning		<u>1,105,290</u>	
Fund balance, ending		<u>\$ 1,795,142</u>	

**LAND OF SKY REGIONAL COUNCIL**  
**GENERAL FUND**  
**INDIRECT COST CENTER - COMPUTATION OF**  
**INDIRECT COST ALLOCATION RATE**  
For the Year Ended June 30, 2016

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Personnel Expenditures	
Salaries	\$ 433,057
Fringe Benefits	<u>156,137</u>
	<u>589,194</u>
Operating Expenditures	
Occupancy costs	196,551
Technology	120,764
Professional services	24,957
Leased equipment	22,939
Telephone and postage	19,859
Travel and training	17,448
Dues and subscriptions	15,075
Supplies	14,745
Copy and printing	7,710
Insurance	7,252
Repairs and maintenance	6,579
Retiree health	5,668
Miscellaneous	3,404
Self-insurance adjustment	(154,542)
	<u>308,409</u>
Total indirect costs	<u>\$ 897,603</u>
Total personnel expenditures	\$ 2,882,713
Less personnel expenditures in indirect cost pool	<u>589,194</u>
Total personnel expenditures earning indirect costs	<u>\$ 2,293,519</u>
Allocation rate computation	
Indirect costs	\$ 897,603
Divided by personnel expenditures earning indirect costs	<u>2,293,519</u>
Allocation rate - as computed	<u>39.14%</u>
Indirect costs compared to provisional indirect amount	
Personnel expenditures earning indirect costs	\$ 2,293,519
Provisional rate	<u>46%</u>
Provisional indirect amount	<u>1,055,019</u>
Total indirect costs	<u>897,603</u>
Provisional indirect costs over actual indirect costs	<u>\$ 157,416</u>

**LAND OF SKY REGIONAL COUNCIL**

## COMBINING STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

## AGENCY FUNDS

For the Year Ended June 30, 2016

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	CarolinaWest Inc.	WNC Highway Corridors	Total Agency Funds
<b>Assets:</b>			
Cash	\$ 28,886	\$ 4,020	\$ 32,906
<b>Liabilities:</b>			
Held in trust for other purposes	\$ 28,886	\$ 4,020	\$ 32,906

## **COMPLIANCE SECTION**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Land of Sky Regional Council as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprises the Land of Sky Regional Council's basic financial statements, and have issued our report thereon dated March 9, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Land of Sky Regional Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Land of Sky Regional Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Land of Sky Regional Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

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

March 9, 2017



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

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

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

We have audited the Land of Sky Regional Council's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Land of Sky Regional Council's major federal programs for the year ended June 30, 2016. The Land of Sky Regional Council's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

## **Opinion on Each Major Federal Program**

In our opinion, the Land of Sky Regional Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

## **Report on Internal Control Over Compliance**

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

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

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

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

*Cannon & Company, S.C.P.*

March 9, 2017



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

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

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

We have audited the Land of Sky Regional Council's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Land of Sky Regional Council's major state programs for the year ended June 30, 2016. The Land of Sky Regional Council's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

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

In our opinion, the Land of Sky Regional Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

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

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

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

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

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

*Cannon & Company, L.L.C.*

March 9, 2017

**LAND OF SKY REGIONAL COUNCIL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2016

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

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
Significant deficiency(s)	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	None reported
Noncompliance material to financial statements noted?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
Significant deficiency(s) identified	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	None reported

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

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

Identification of major federal programs:

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

**LAND OF SKY REGIONAL COUNCIL****SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**For the Year Ended June 30, 2016

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

Auditee qualified as low-risk auditee?                            X Yes                                  No

**Section II - Financial Statement Findings**

None reported.

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

None reported.

**State Awards**

Internal control over major State programs:

Material weakness(es) identified?                                  Yes                            X No

Significant deficiency(s) identified                                  Yes                            X None reported

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

Any audit findings disclosed that are required to be  
reported in accordance with the State  
Single Audit Implementation Act?                                  Yes                            X No

Identification of major State programs:

None reported.

**LAND OF SKY REGIONAL COUNCIL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2016

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**Section II - Financial Statement Findings**

None reported

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

None reported

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

None reported

**LAND OF SKY REGIONAL COUNCIL**  
**CORRECTIVE ACTION PLAN**  
For the Year Ended June 30, 2016

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**Section II - Financial Statement Findings**

None reported

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

None reported

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

None reported

**LAND OF SKY REGIONAL COUNCIL**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
For the Year Ended June 30, 2016

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There were no prior audit findings.

**LAND OF SKY REGIONAL COUNCIL**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
For the Year Ended June 30, 2016

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures		Passed Through to Subrecipients
			Federal	State	
<b>FEDERAL AWARDS</b>					
U.S. DEPARTMENT OF AGRICULTURE					
Rural Energy for America Program	10.868	N/A	\$ 47,002	\$ -	\$ -
Rural Community Development Initiative	10.446	N/A	61,417	-	-
Technical Assistance and Training Grants	10.761	N/A	121,885	-	-
<b>Total U.S. Department of Agriculture</b>			<u>230,304</u>	<u>-</u>	<u>-</u>
U.S. DEPARTMENT OF COMMERCE					
Economic Development-Support for Planning Organizations	11.302	N/A	64,496	-	-
Economic Development-Technical Assistance	11.303	N/A	6,696	-	-
<b>Total U.S. Department of Commerce</b>			<u>71,192</u>	<u>-</u>	<u>-</u>
U.S. DEPARTMENT OF ENERGY					
Conversation Research and Development	81.086	N/A	8,835	-	-
Passed through Triangle J Council of Governments:					
Conversation Research and Development	81.086	TJCOG-SADI-009	3,354	-	-
<b>Total U.S. Department of Energy</b>			<u>12,189</u>	<u>-</u>	<u>-</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Passed through the N.C. Department of Health & Human Services:					
Passed through the Division of Aging and Adult Services:					
Special Programs for the Aging -					
Title VII, Chapter 3-Programs for Prevention of Elder Abuse, Neglect & Exploitation	93.041	15/16AANCT7EA	6,328	372	-
Title VII, Chapter 2-Long Term Care Ombudsman Services for Older Individuals	93.042	15/16AANCT7OM	26,506	1,559	-
Title III, Part D-Disease Prevention & Health Promotion Services	93.043	15/16AANCT3PH	37,890	2,229	-
<b>Total Special Programs for the Aging</b>			<u>70,724</u>	<u>4,160</u>	<u>-</u>
Aging Cluster					
Special Programs for the Aging - Title III-B	93.044	15/16AANCT3SS	892,691	1,373,450	1,958,005
Title III, Part B-Grants for Supportive Services & Senior Centers			<u>892,691</u>	<u>1,373,450</u>	<u>1,958,005</u>
Special Programs for the Aging - Title III-B					
Special Programs for the Aging - Title III-C					
Title III, Part C1, Nutrition Services	93.045	15/16AANCT3CM	347,885	20,122	278,408
Title III, Part C2, Nutrition Services	93.045	15/16AANCT3HD	160,238	283,348	443,586
Nutrition Services Incentive Program (NSIP)	93.053	15/16AANCNSIP	129,194	-	129,194
<b>Total Aging Cluster</b>			<u>1,530,008</u>	<u>1,676,920</u>	<u>2,809,193</u>
National Family Caregiver Support - Title III-E	93.052	15/16AANCT3FC	224,193	14,567	51,978
Medicare Enrollment Assistance Program	93.071	RQ19182460	8,840	-	4,420
Medicare Enrollment Assistance Program	93.071	RQ18292855	11,491	-	7,266
Social Services Block Grant	93.667	N/A	97,452	2,784	100,236
Passed through the University of North Carolina at Asheville:					
Empowering Older Adults & Adults with Disabilities Through Chronic Disease Self-Management Education	93.734	16-004	12,015	-	-
<b>Total U.S. Department of Health and Human Services</b>			<u>1,954,723</u>	<u>1,698,431</u>	<u>2,973,093</u>
U.S. DEPARTMENT OF LABOR					
Passed through NC Department of Commerce, Division of Workforce					
WIA/WIOA-Adult Program	17.258	N/A	565,011	-	450,073
WIA/WIOA-Dislocated Worker Formula Grants	17.278	N/A	529,301	-	410,174
WIA/WIOA-Youth Activities	17.259	N/A	668,255	-	591,838
WIA/WIOA-Administrative Cost Pool	17.258-17.278	NA	198,985	-	-
<b>Total Workforce Innovation and Opportunity Act Cluster</b>			<u>1,961,552</u>	<u>-</u>	<u>1,452,085</u>
WIOA National Dislocated Worker Grants/WIA National Emergency Grants	17.277	N/A	17,554	-	-
Passed through NC Department of Health and Human Services					
Senior Community Service Employment Program	17.235	00032994	180,117	-	-
<b>Total U.S. Department of Labor</b>			<u>2,159,223</u>	<u>-</u>	<u>1,452,085</u>
APPALACHIAN REGIONAL COMMISSION					
Appalachian Local Development District Assistance	23.009	N/A	45,564	-	-
<b>Total Appalachian Regional Commission</b>			<u>45,564</u>	<u>-</u>	<u>-</u>

**LAND OF SKY REGIONAL COUNCIL**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
For the Year Ended June 30, 2016

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures		Passed Through to Subrecipients			
			Federal	State				
<b>U.S. DEPARTMENT OF TRANSPORTATION, FEDERAL HIGHWAY ADMINISTRATION:</b>								
Passed through NC Department of Transportation								
Highway Planning Construction	20.205	C-5564/WBS 44110.3.1	39,983	-	-			
Highway Planning Construction, State Planning & Research/PL 104(f) Funds	20.205-5	WBS 44509.1.2	246,954	-	-			
Highway Planning Construction, State Planning & Research/PL 104(f) Funds	20.205-5	WBS 44509.1.25	67,765	-	-			
Highway Planning Construction, State Planning & Research Rural Planning Organization Program	20.205-8	WBS 44525.1.9	92,500	-	-			
<b>Total Federal Highway Administration</b>			<u>447,202</u>	<u>-</u>	<u>-</u>			
<b>ENVIRONMENTAL PROTECTION AGENCY</b>								
Source Reduction Assistance	66.717	N/A	9,954	-	-			
Brownsfield Assessment & Cleanup Cooperative Agreements	66.818	N/A	21,446	-	-			
Passed through NC Department of Environment & Natural Resources								
Water Quality Management Planning	66.454	6285	25,000	-	-			
<b>Total Federal Highway Administration</b>			<u>56,400</u>	<u>-</u>	<u>-</u>			
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>								
Retired and Senior Volunteer Program	94.002	N/A	<u>50,346</u>	<u>-</u>	<u>-</u>			
Foster Grandparent/Senior Companion Cluster								
Foster Grandparent Program	94.011	N/A	335,654	-	-			
Senior Companion Program	94.016	N/A	376,384	-	-			
Total FGP/SCP Cluster			<u>712,038</u>	<u>-</u>	<u>-</u>			
<b>Total Corporation for National and Community Service</b>			<u>762,384</u>	<u>-</u>	<u>-</u>			
<b>Total Federal Awards</b>			<u>5,739,181</u>	<u>1,698,431</u>	<u>4,425,178</u>			
<b>STATE AWARDS</b>								
N.C. Department of Environmental Quality								
Waste Reduction Partners-Solid Waste Reduction Grant	6501	-	50,000	-	-			
Waste Reduction Partners-Energy Technical Assistance for USI Program	6842	-	6,769	-	-			
<b>Total N.C. Department of Environmental Quality</b>		<u>-</u>	<u>56,769</u>	<u>-</u>	<u>-</u>			
N.C. Department of Health and Human Services								
Division of Aging and Adult Services								
Senior Center General Purpose Funding	N/A	-	37,998	37,998	-			
State AAA Administrative Cost	N/A	-	48,260	-	-			
Project C.A.R.E.	00032561	-	94,691	-	-			
<b>Total N.C. Department of Health and Human Services</b>		<u>-</u>	<u>180,949</u>	<u>37,998</u>	<u>-</u>			
N.C. Department of Commerce								
Appalachian Regional Commission-Local Government Technical Assistance	CWP-16-B	-	17,056	-	-			
Appalachian Regional Commission-Local Government Technical Assistance	CWP-15-B	-	18,840	-	-			
<b>Total N.C. Department of Commerce</b>		<u>-</u>	<u>35,896</u>	<u>-</u>	<u>-</u>			
N.C. Department of Transportation								
FY2016 Rideshare Program	36225.10.1.1	-	20,318	-	-			
<b>Total N.C. Department of Transportation</b>		<u>-</u>	<u>20,318</u>	<u>-</u>	<u>-</u>			
N.C. Tobacco Trust Fund Commission								
Agriculture Plastics Recycling	2014-012-06	-	12,760	-	-			
<b>Total N.C. Tobacco Trust Fund Commission</b>		<u>-</u>	<u>12,760</u>	<u>-</u>	<u>-</u>			
<b>Total State Awards</b>			<u>-</u>	<u>306,692</u>	<u>37,998</u>			
<b>Total Federal and State Awards</b>			<u>\$ 5,739,181</u>	<u>\$ 2,005,123</u>	<u>\$ 4,463,176</u>			

**LAND OF SKY REGIONAL COUNCIL**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
For the Year Ended June 30, 2016

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Notes to the Schedule of Expenditures of Federal and State Awards

**1. Basis of Presentation**

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

**2. Loans Outstanding**

Land of Sky Regional Council had the following loan balance outstanding at June 30, 2016. Loans were made in prior years and were included in the prior years' SEFSAs. Balances and transactions related to these programs are included in the Council's basic financial statements.

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

**3. Subrecipients**

Of the federal and State expenditures presented in this schedule, Land of Sky Regional Council provided federal and State awards to subrecipients as follows:

Program Title	CFDA Number	Grantor's Number	Pass-through	
			Federal Expenditures	State Expenditures
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	15/16AANCT3SS	\$ 652,247	\$ 1,305,758
Special Programs for the Aging, Title III, Part C1, Nutrition	93.045	15/16AANCT3CM	262,941	15,467
Special Programs for the Aging, Title III, Part C2, Nutrition	93.045	15/16AANCT3HD	160,239	283,347
Nutrition Services Incentive Program (NSIP)	93.053	15/16AANCNSIP	129,194	-
National Family Caregiver Support-Title III-E	93.052	15/16AANCT3FC	48,730	3,248
Medicare Enrollment Assistance Program	93.071	RQI9182460	4,420	-
Medicare Enrollment Assistance Program	93.071	RQI8292855	7,266	-
Social Services Block Grant	93.667	N/A	97,451	2,785
Senior Center General Purpose	N/A	N/A	-	37,998
WIA/WIOA-Adult Program	17.258	N/A	450,073	-
WIA/WIOA-Dislocated Worker Formula Grants	17.278	N/A	410,174	-
WIA/WIOA-Youth Activities	17.259	N/A	591,838	-
			<u>\$ 2,814,573</u>	<u>\$ 1,648,603</u>