



FINANCIAL STATEMENTS
Year Ended June 30, 2015

**Land of Sky Regional Council
Board of Delegates
June 30, 2015**

Current Members at Financial Statement Release Date

Executive Committee

<u>Jurisdiction</u>	<u>Position</u>	<u>Name</u>	<u>Position</u>
Buncombe County	Chair	George Goosmann, III	Mayor, Biltmore Forest
Transylvania County	1 st Vice Chair	Mike Hawkins	Commissioner
Henderson County	2 nd Vice Chair	Dona Mennella	Commissioner, Laurel Park
Madison County		Wayne Brigman	Commissioner
At-Large	Treasurer	Larry Harris	Alderman, Black Mountain
At-Large	Secretary	Vacant	
At-Large		Brenda Mills	Asheville
At-Large		Bob Davy	Councilman, Fletcher

Delegates

<u>Jurisdiction</u>	<u>Primary Delegate</u>	<u>Alternate Delegates</u>
Buncombe County	Miranda DeBruhl	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	Ryan Stone	Larry Harris
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	Brian Reese	
Laurel Park	Dona Mennella	Alison Melnikova
Mars Hill	John Chandler	Darhyl Boone
Marshall	Jack Wallin	Billie 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

<u>Jurisdiction</u>	<u>Name</u>
Buncombe County	Brenda Mills
Henderson County	John Mitchell
Madison County	Simone Bouyer
Transylvania County	Vacant

Economic Development Delegates

<u>Jurisdiction</u>	<u>Name</u>
Buncombe County	George Morosani
Henderson County	Andrew Tate
Madison County	Ryan Cody
Transylvania County	Mark Burrows

Program Representative Delegates

Charles Dickens, Aging
Kathe Harris, Volunteer Services

LAND-OF-SKY REGIONAL COUNCIL
Table of Contents
June 30, 2015

<u>Exhibits</u>		<u>Page</u>
Financial Section		
	Independent Auditor's Report	1-2
	Management's Discussion and Analysis	3-10
	Basic Financial Statements:	
	Government-wide Financial Statements:	
Exhibit A	Statement of Net Position	11
Exhibit B	Statement of Activities	12
	Fund Financial Statements:	
Exhibit C	Balance Sheet – Governmental Funds	13- 14
Exhibit D	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	15- 16
Exhibit E	Statement of Revenues, Expenditures, and Changes in Fund Balances – Annual Budget and Actual – General and Special Revenue Funds	17- 18
Exhibit F	Statement of Fiduciary Net Position – Fiduciary Funds	19
	Notes to the Financial Statements	20- 37
<u>Schedules</u>		
Supplementary Information		
1a and 1b	Schedules of Fringe Benefits and Indirect Costs	38- 39

2	Combining Statement of Fiduciary Net Position – Fiduciary Funds- Agency Funds	40
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<u>Schedules</u>		<u>Page</u>
3	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – All Governmental Funds	41- 46
4	Schedule of Revenues and Expenditures by Type – All Governmental Funds	47
5	Schedule of Council's Proportionate Share of the Net Pension Asset, LGERS	48
6	Schedule of Council Contributions, LGERS	49
 Compliance Reports		
	Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	50- 51
	Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act	52- 53
	Report on Compliance with Requirements Applicable to Each Major State Program and Internal Controls Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act	54- 55
7	Schedule of Expenditures of Federal and State Awards	56- 58
8	Schedule of Findings and Questioned Costs	59- 60
9	Summary Schedule of Prior Year Audit Findings	61

Elizabeth Keel Gomes, PLLC
Certified Public Accountant
60 Ravenscroft Drive, Asheville, NC 28801 (828) 254-1700

Independent Auditor's Report

To the Board of Directors
Land of Sky Regional Council
Asheville, North Carolina 28806

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Land of Sky Regional Council, a North Carolina Council of Government (the Council), as of and for the year ended June 30, 2015, 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.

Auditor's 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Land of Sky Regional Council as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Special Revenue Funds 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 the Management's Discussion and Analysis, the Local Government Employees' Retirement System Schedules of the Council's Proportionate Share of Net Pension Asset and Council Contributions, be presented to supplement the basic financial statements [refer to Table of Contents for page]. 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 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 Land of Sky Regional Council's basic financial statements. The budgetary schedules and other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Implementation Act* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary schedules and other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards is the responsibility of management and was derived from and relates 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, the budgetary schedules and the accompanying schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2016 on our consideration of 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 the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Land of Sky Regional Council's internal control over financial reporting and compliance.

Elizabeth Keel Gomes, PLLC
Certified Public Accountant

March 31, 2016

LAND-OF-SKY REGIONAL COUNCIL
Management's Discussion and Analysis
June 30, 2015

This section of the Land-of-Sky Regional Council's (the Council) financial report represents our discussion and analysis of the financial performance of the Council for the year ended June 30, 2015. This information should be read in conjunction with the audited financial statements included in this report.

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 \$726,815 (net position).
- The Council's total net position increased by \$252,003 as the Council brought in additional local revenues and continued to contain costs.
- As of the close of the current fiscal year, the Council's governmental funds reported combined ending fund balances of \$1,105,291, an increase of \$141,623 in comparison with the prior year. Of this amount \$683,850 is restricted by state statute.

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. The basic financial statements present two different views of the Council's finances through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Council.

Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the *government-wide financial statements*. They provide both short and long-term information about the Council's financial status. The next statements (Exhibits C through F) are *fund financial statements*. These statements focus on the activities of the individual parts of the Council's government. These statements provide more detail than the government-wide statements. There are two parts to the fund financial statements: 1) the governmental funds statements and 2) the budgetary comparison statements.

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

Government-wide Financial Statements

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

as a whole.

The two government-wide statements report the Council's net position and how it has changed. Net position is the difference between the Council's total assets 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.

Government-wide financial statements may be divided into as many as three categories: 1) governmental activities, 2) business-type activities, and 3) component units. However, the Council does not have any business-type activities or component units. The governmental activities include all of the Council's basic services such as general administration, economic and community development, human services, environmental protection, workforce development and transportation planning services. State and federal grants and contributions from regional non-profits, supporting entities and local governments comprising the service area of the Council finance most of these activities.

Fund Financial Statements

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

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government wide financial statements. All of the Council's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting. This method has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps to determine if there are more or less financial resources available to finance the Council's programs. The relationship between governmental activities (reported in the Statement of Net 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 and Special Revenue Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the constituent member local governments, the management of the Council, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Council to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund and the Special Revenue Fund demonstrates how well the Council complied with the budget ordinance and whether or not the Council succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board, 2) the final budget as amended by the Board, 3) the actual resources, charges to appropriations, and ending balances in the General and Special Revenue Funds, 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 are included in this report. Please refer to the table of contents for page numbers.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain supplementary information. Refer to the table of contents for a listing of schedules termed supplementary information and the related page numbers.

Government-Wide Financial Analysis

Table 1
Condensed Statements of Net Position
June 30, 2015 and 2014

	Governmental Activities	
	2015	2014
Current assets	\$ 2,864,237	\$2,278,764
Capital assets	1,612,877	1,978,584
Long term note receivable	973,830	972,190
Pension asset	239,201	-
Other assets	-	450
Total assets	5,690,145	5,229,988
Deferred outflows	135,215	-
Current liabilities	1,512,210	1,167,789
Long-term liabilities	2,699,958	3,046,898
Total liabilities	4,212,168	4,214,687
Deferred inflows	886,377	213,077
Net position:		
Net investment in capital assets	3,483	15,889
Restricted	683,850	21,176
Unrestricted	39,482	765,159
Total net position	\$ 726,815	\$ 802,224

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Council exceeded liabilities by \$726,815 as of June 30, 2015. The Council's net position increased by \$252,003 for the fiscal year ended June 30, 2015. State statutes restrict \$683,850 of the Council's net position. The Council's investment in capital assets (office space, office and computer equipment and software less any related capital lease outstanding that was issued to acquire those items) \$3,483 is less than one half of one percent of net position. The Council uses these capital assets to provide services to constituent local government members; consequently these assets are not available for future spending. The remaining balance of \$39,482 is unrestricted.

Also, the Council implemented GASB Statement 68 this year. With the new reporting change, the Council is allocated its proportionate share of the Local government Employees' Retirement system's net position asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$327,412. Decisions regarding the allocations are made by the administrators of the pension plan, not by the management for the Land of Sky Regional Council.

Table 2
Condensed Statements of Activities
For the years ending June 30, 2015 and 2014

	Governmental Activities	
	2015	2014
Revenues:		
Program revenues:		
Charges for services	\$ 557,300	\$ 7,816,373
Operating grants and contributions	9,769,223	4,878,702
General Revenues		
Local governmental dues	44,243	7,863
Grants and contributions not restricted to specific programs	910,224	392,485
Other revenues	-	(11,795)
Unrestricted investment earnings	256	69
Total revenues	11,281,246	13,083,697
Expenses:		
Governmental activities:		
Management and business operations	702,720	420,874
Economic and community development	730,031	2,587,237
Human services	5,454,648	5,650,610
Environmental protection	514,183	595,425
Workforce development	2,545,561	2,470,583
Transportation	1,082,100	1,391,220
Total expenses	11,029,243	13,115,949
Change in net position	252,003	(32,252)
Net position, July 1	802,224	834,476
Restatement	(327,412)	
Net position, June 30	\$ 726,815	\$ 802,224

Governmental activities

Governmental activities increased the Council's net position by \$252,003. The current year increase reflects the changes in costs associated with Council placing its focus onto local economic development and the performance of services related to those contracts in cooperation with member governments in its region.

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

Governmental Funds

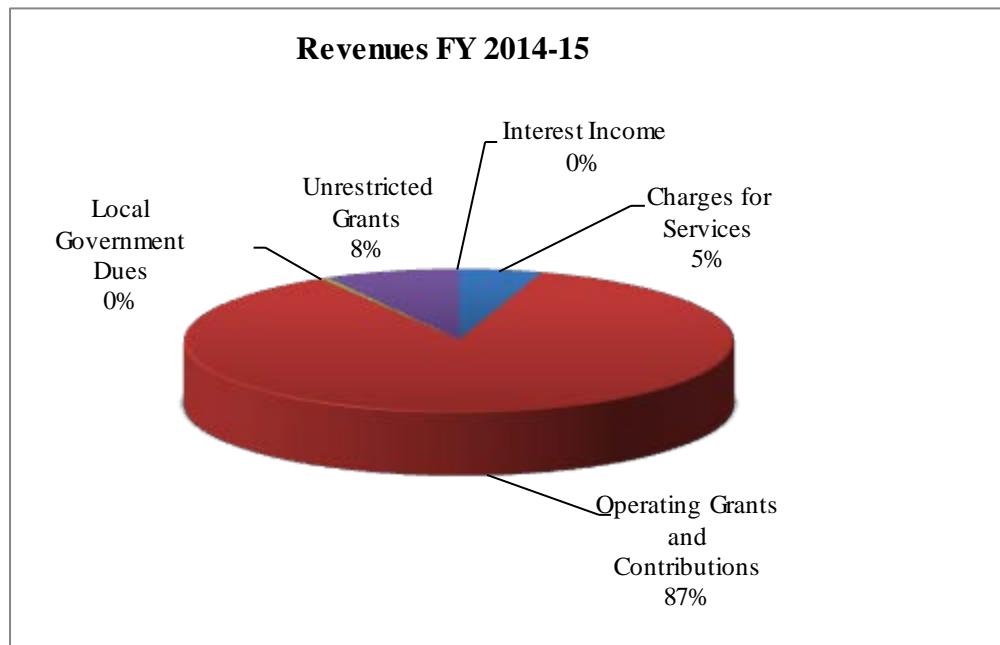
The focus of the Council's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. The General Fund accounts for all unrestricted resources and provides the local matching share for grants accounted for in the Special Revenue Fund through transfers. At the end of the fiscal year, fund balance of the General Fund was \$1,105,291 of which, \$683,850 is stabilized by state statute. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures, net of acquisitions funded through capital lease arrangements as well as total fund balance.

Operations for the Council are paid from the budgets of federal, state and local awards as well as local government membership dues. A schedule of indirect costs is included in the financial statements. At June 30, 2015, the governmental funds of the Council reported a total combined fund balance of \$1,105,291 representing a 14.7% increase over last year.

Revenues

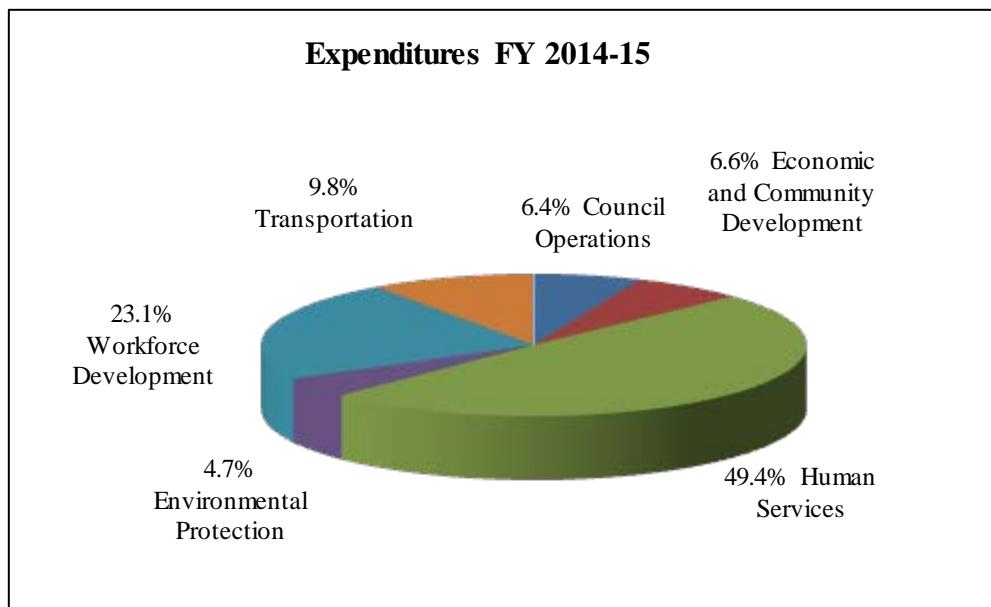
The Council continues to work in the area of economic development on projects that increase opportunities for service in all areas especially environmental protection and transportation planning. Human services remain the most significant administrative responsibility, accounting for almost half of Council award administrative activities.

Charges for services are expected to increase, while local government dues and interest income are less than one percent of Council revenues.



Expenditures

With the increases in Council award administration responsibilities, Council has experienced relatively minimal increases in operational costs. The following graph is an explanation of the allocation of total costs for the Council during 2015. Council operations account for only 6.4% of total 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 to recognize new funding amounts from external sources, such as federal, state and local grants; and 3) increases in appropriations that become necessary to maintain services. Amendments to the General Fund, other than those funded through capital lease arrangements, increased revenues by \$598,664, while increasing expense by \$625,409. As a result, \$26,745 was appropriated from the prior year fund balance.

Amendments to the Special Revenue Fund increased budgeted revenues and expenditures by \$1,085,789. Significant disbursements of federal and state awards are as follows: Economic and Community Development Services - \$730,031, Human Services - \$5,454,648, Environmental Protection Services - \$514,183, Workforce Development - \$2,545,561 and Transportation Planning Services - \$1,082,100.

Capital Asset and Debt Administration

Capital assets

The Council's capital assets for all governmental-type activities as of June 30, 2015, totals \$1,612,877, net of accumulated depreciation. These assets include office space and leasehold improvements, a hybrid car, office and computer equipment and software. Additional information on the Council's capital assets can be found in Note 2 of the Basic Financial Statements

Buncombe County took back a portion of the Council's office space in exchange for a reduction of the related lease purchase debt and the completion of renovations to the Council's remaining office space. The space renovation accommodated additional services the Council will provide to the County. The exchange is a part of a combined County and Council effort to increase local Council services and strengthen relationships among local member governments..

Table 3

Summary of Capital Assets
(Net of Depreciation)
As of June 30, 2015 and 2014

	Governmental Activities	
	2015	2014
Building	\$ 1,511,833	\$ 1,888,416
Vehicle	19,901	25,585
Equipment	81,143	64,583
Total	<u>\$ 1,612,877</u>	<u>\$ 1,978,584</u>

Debt Administration

As of June 30, 2015, the outstanding debt of the Council consisted of \$1,609,394 of capital leases related to the Council building. Of total outstanding debt, \$56,650 is included in current liabilities. Additional information on the Council's capital leases can be found in Note 3 of the Basic Financial Statements.

Table 4
Summary of Capital Leases
As of June 30, 2015 and 2014

	Governmental Activities	
	2015	2014
Capital leases		
Current portion	\$ 56,650	\$ 65,320
Long term portion	1,552,744	1,897,375
Total capital leases	<u>\$ 1,609,394</u>	<u>\$ 1,962,695</u>

Economic Factors and Next Year's Budgets and Rates

- The Council enrolled in the North Carolina State Health Plan in January 2016. This has resulted in significant savings in relation to the cost of medical insurance for the organization for the current fiscal year, and it is expected will result in future recurring savings.
- The Council continues to experience positive financial benefits from fee for service activities, especially through the non-emergency Medicaid transportation call center program. During the upcoming fiscal year, the Council plans to be even more aggressive in pursuing similar entrepreneurial activities. It is anticipated this will result in a more diversified and stable revenue base and help to make the Council less reliant on fluctuating state and federal funding programs.
- The Council restructured its facilities' lease-purchase agreement with Buncombe County. This will result in significant long term cost savings.

- The Council is beginning 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.
- The reorganization of the state's CDBG programs two years ago has had a negative impact on the Council and its member governments. Since the reorganization, only one CDBG grant has been awarded in the region. This has resulted in a loss of organization capacity and program funds in the area of community development. The Council anticipates this pattern will continue.
- The Council will see two employee retirements prior to the end of the current fiscal year. This provides an opportunity to restructure the organization's operations and staffing assignments in a way that will increase administrative efficiencies.

Requests for Information

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

Vickie Thomas, Finance Officer
Land-of-Sky Regional Council
339 New Leicester Highway, Suite 140
Asheville, NC 28806
(828) 251-6622, fax (828) 251-6353

LAND-OF-SKY REGIONAL COUNCIL

Exhibit A

Statement of Net Position June 30, 2015

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash and investments	\$ 1,326,325
Accounts receivable	1,537,912
Total current assets	<u>2,864,237</u>
Net pension asset	<u>239,201</u>
Capital assets, net of depreciation	
Office space and related improvements, net	1,511,833
Equipment and vehicles, net	101,044
	<u>1,612,877</u>
Long term notes receivable	<u>973,830</u>
Total assets	<u>5,690,145</u>
Deferred Outflows of Resources	<u>135,215</u>
Liabilities	
Current liabilities	
Accounts payable	1,143,465
Accrued liabilities	312,095
Current portion of obligations under capital leases	56,650
Total current liabilities	<u>1,512,210</u>
Noncurrent liabilities	
Noncurrent portion of obligations under capital leases	1,552,744
Due to the revolving loan fund	973,830
Accrued vacation	173,384
Total noncurrent liabilities	<u>2,699,958</u>
Deferred Inflows of Resources	<u>886,377</u>
Net position	
Net investment in capital assets	3,483
Restricted	
Stabilized by state statute	683,850
Unrestricted	39,482
Total net position	\$ <u>726,815</u>

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

LAND-OF-SKY REGIONAL COUNCIL

Exhibit B

**Statement of Activities
For the Year Ended June 30, 2015**

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Government	
				Governmental Activities	
Governmental activities					
Management and Business Operations	\$ 702,720	\$ -	\$ -	\$ (702,720)	-
Economic and Community Development	730,031	99,751	630,280		
Human Services	5,454,648	118,820	5,335,828		
Environmental Protection	514,183	41,413	472,770		
Transportation	1,082,100	297,246	784,854		
Workforce Development	2,545,561	70	2,545,491		
Total primary government	<u>\$ 11,029,243</u>	<u>\$ 557,300</u>	<u>\$ 9,769,223</u>		<u>(702,720)</u>
General revenues					
Grants and contributions not restricted to specific programs				910,224	
Local government dues				44,243	
Unrestricted investment earnings				256	
Total general revenues				<u>954,723</u>	
Change in net position				<u>252,003</u>	
Net position - beginning previously stated				802,224	
Restatement				<u>(327,412)</u>	
Net position - beginning retated				474,812	
Net position - ending				<u>\$ 726,815</u>	

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

LAND-OF-SKY REGIONAL COUNCIL

Exhibit C

Balance Sheet - Governmental Funds
June 30, 2015

	Major Funds		
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
<u>Assets</u>			
Assets			
Cash and investments	\$ 1,326,325	\$ -	\$ 1,326,325
Accounts receivable:			
Grants and contracts	668,348	799,387	1,467,735
Other	15,502	54,673	70,175
Note receivable from Revolving Loan Program	-	973,830	973,830
Due from other funds	-	251,067	251,067
Total assets	<u>\$ 2,010,175</u>	<u>\$ 2,078,957</u>	<u>\$ 4,089,132</u>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable and accrued liabilities	\$ 92,164	\$ 56,220	\$ 148,384
Due to sub recipients and beneficiaries	269,910	489,010	758,920
Due to other governments	243,354	973,830	1,217,184
Accrued salaries and benefits	39,837	265,064	304,901
Due to other funds	<u>251,067</u>	<u>-</u>	<u>251,067</u>
Total liabilities	<u>896,332</u>	<u>1,784,124</u>	<u>2,680,456</u>
Deferred inflows			
Unearned revenue	<u>8,553</u>	<u>294,833</u>	<u>303,386</u>
Fund balances			
Restricted			
Stabilized by state statute	683,850	-	683,850
Unassigned	<u>421,440</u>	<u>-</u>	<u>421,440</u>
Total fund balances	<u>1,105,290</u>	<u>-</u>	<u>1,105,290</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 2,010,175</u>	<u>\$ 2,078,957</u>	<u>\$ 4,089,132</u>

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

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

LAND-OF-SKY REGIONAL COUNCIL

Exhibit C

Balance Sheet - Governmental Funds
June 30, 2015

Ending fund balances - governmental funds	\$ 1,105,290
Net pension asset	239,201
Current year contributions to the pension plan	134,111
Pension related deferrals	(581,886)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,612,877
Some liabilities, including capital lease obligations and accrued leave are not due and payable in the current period and therefore are not reported in the funds.	(1,782,778)
Net position of governmental activities	<u><u>\$ 726,815</u></u>

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

LAND-OF-SKY REGIONAL COUNCIL

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2015

	Major Funds		
	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
Federal government	\$ -	\$ 6,598,402	\$ 6,598,402
State of North Carolina	8,000	1,995,771	2,003,771
Local governmental awards and membership dues	713,512	1,261,085	1,974,597
Facilities and other income	218,832	110,709	329,541
Private	403	51,241	51,644
In-kind	-	309,315	309,315
Interest income	256	-	256
Total revenue	941,003	10,326,523	11,267,526
Expenditures:			
Management and Business Operations	799,381	-	799,381
Economic and Community Development	-	730,031	730,031
Human Services	-	5,454,648	5,454,648
Environmental Protection	-	514,183	514,183
Workforce Development	-	2,545,561	2,545,561
Transportation	-	1,082,100	1,082,100
Total expenditures	799,381	10,326,523	11,125,904
Net change in fund balances	141,622	-	141,622
Fund balances - beginning of year	<u>963,668</u>	<u>-</u>	<u>963,668</u>
Fund balances - ending of year	\$ 1,105,290	\$ -	\$ 1,105,290

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

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015**

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

Net change in fund balances - total governmental funds	\$ 141,622
--------------------------------------------------------	------------

Governmental funds report capital outlays as expenditures, however,
in the statement of activities, the cost of those assets is allocated over
their estimated useful lives and reported as depreciation expense in
the current period.

Capital outlay expenditures which were capitalized	183,727
Net book value of property disposed	(432,168)
Corrections to beginning accumulated depreciation	13,723
Depreciation expense for governmental assets	(130,989)
	(365,707)

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

This amount is the total of principal payments made under capital lease obligations.	65,320
This amount is the debt reduction related to the property disposition	287,981

The changes in accounting principles related to pensions are not reported in
the governmental funds

Pension Expense	(15,273)
Contribution to the pension plan in the current fiscal year	134,111

Charges to programs for accrued leave represent revenues in
the governmental funds, but a liability in the statement of net position.

Change in accrued leave	3,949
Change in net position of governmental activities	\$ 252,003

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

LAND-OF-SKY REGIONAL COUNCIL

Statement of Revenues, Expenditures and Changes in Fund Balances
Annual Budget and Actual
General and Annually Budgeted Major Special Revenue Funds
For the Year Ended June 30, 2015

	General			Variance with Final Budget	
	Budget		Actual		
	Original	Final			
Revenues:					
Federal government	\$ -	\$ -	\$ -	\$ -	
State of North Carolina	8,000	8,000	8,000	-	
Local governmental awards and membership dues	49,071	649,071	713,512	64,441	
Facilities and other income	202,700	202,400	218,832	16,432	
Private	22,700	21,364	403	(20,961)	
In-kind	-	-	-	-	
Interest income	-	300	256	(44)	
Total revenue	282,471	881,135	941,003	59,868	
Expenditures:					
Local Award and Administrative Services	282,471	907,880	799,381	108,499	
Economic and Community Development	-	-	-	-	
Human Services	-	-	-	-	
Environmental Protection	-	-	-	-	
Workforce Development	-	-	-	-	
Transportation	-	-	-	-	
Total expenditures	282,471	907,880	799,381	108,499	
Revenues over (under) expenditures	-	(26,745)	141,622	168,367	
Appropriated fund balance	-	26,745	-	(26,745)	
Net change in fund balances	\$ -	\$ -	141,622	\$ 141,622	
Fund balances - beginning of year			963,668		
Fund balances - ending of year			\$ 1,105,290		

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

LAND-OF-SKY REGIONAL COUNCIL

Statement of Revenues, Expenditures and Changes in Fund Balances
Annual Budget and Actual
General and Annually Budgeted Major Special Revenue Funds
For the Year Ended June 30, 2015

	Special Revenue			Variance with Final Budget Positive (Negative)	
	Budget		<u>Original</u>		
	<u>Original</u>	<u>Final</u>			
Revenues					
Federal government	\$ 7,672,306	\$ 8,234,578	\$ 6,598,402	\$ (1,636,176)	
State of North Carolina	2,205,120	2,210,208	1,995,771	(214,437)	
dues	963,528	1,188,573	1,261,085	72,512	
Facilities and other income	900	13,413	110,709	97,296	
Private	132,349	267,883	51,241	(216,642)	
In-kind	182,777	328,114	309,315	(18,799)	
Interest income	-	-	-	-	
Total revenue	11,156,980	12,242,769	10,326,523	(1,916,246)	
Expenditures					
Local Award and Administrative Services	-	-	-	-	
Economic and Community Development	780,283	1,187,205	730,031	457,174	
Human Services	5,678,965	5,720,621	5,454,648	265,973	
Environmental Protection	602,416	719,882	514,183	205,699	
Workforce Development	3,294,102	3,405,968	2,545,561	860,407	
Transportation	801,214	1,209,093	1,082,100	126,993	
Total expenditures	11,156,980	12,242,769	10,326,523	1,916,246	
Revenues over (under) expenditures	-	-	-	-	
Appropriated fund balance	-	-	-	-	
Net change in fund balances	\$ -	\$ -	-	\$ -	
Fund balances - beginning of year				-	
Fund balances - ending of year			\$ -	\$ -	

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

Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2015

	<u>Agency</u> <u>Funds</u>
<u>Assets</u>	
Cash	\$ <u>32,333</u>
<u>Liabilities</u>	
Held in trust for other purposes	\$ <u>32,333</u>

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

LAND-OF-SKY REGIONAL COUNCIL

Notes to the Financial Statements

June 30, 2015

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

Land-of-Sky Regional Council is a coordinating agency created under the authority of Chapter 160A-470 of the General Statutes of North Carolina. The Council was created to plan or to see that plans are established and executed that will foster desirable social, cultural, ecological and economic conditions within the region. It covers a four-county area comprising Region B in Western North Carolina. The four counties served by the Council are Buncombe, Henderson, Madison and Transylvania. Each member government within the region is entitled to a delegation of two members. This delegation has one vote in the election of the executive committee.

B. Basis of Presentation

Government-wide Statements: The statement of net 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 display the *governmental activities* of the Council. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Council’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the

statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including member dues, are presented as general revenues

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

The Council reports the following fund types:

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

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

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

- **WNC Highway Corridors Association.** This fund accounts for the assets and activities of the I-26 Corridor Association, an unincorporated association for which the Council acts as fiscal agent.
- **CarolinaWest, Inc.** This fund accounts for the assets and activities of CarolinaWest, Inc., a not-for-profit corporation for which the Council acts as fiscal agent.

C. Measurement Focus and Basis of Accounting

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

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the

related cash flows take place. Non-exchange transactions, in which the Council gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and private contributions. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

The Council considers all revenues available if they are collected within 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.

D. Budgetary Data

The Council's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for the General Fund and the Special Revenue Funds. All appropriations lapse at the fiscal year-end. Budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the program level for all annually budgeted funds. All amendments 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. Amendments were necessary during the year due to increased or decreased federal, state and local funding for various programs.

E. 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.

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 securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

Cash and Cash Equivalents – The Council pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Council considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

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

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

<u>Asset Class</u>	<u>Years</u>
Building	26
Building improvements	7-15
Vehicles	6
Furniture and equipment	7-10
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 meets this criterion – contributions made to the pension plan in the 2015 fiscal year. In addition to liabilities, the

statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement 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 several items that meet this criterion - resources from federal, state and local awards that have not been earned and deferrals of pension expense that result from the implementation of GSAB Statement 68.

Long-Term Obligations – In the government-wide financial statements, capital leases and other long-term obligations are reported as liabilities in the applicable governmental activities.

Compensated Absences – The 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. The Council's liability for accumulated earned vacation and the salary-related payments as of June 30, 2015 is recorded in the governmental-wide financial statements 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 has no obligation for 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 the government-wide financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents 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 governmental fund types classify fund balances 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 of State Statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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 – Portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Council has a revenue spending policy 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 then Council funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed, assigned and unassigned fund balance. The Finance Officer has authority to deviate from this policy if it is in the best interest of the Council.

Pensions

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

F. Revenues and Expenditures

Indirect Costs – Indirect costs are allocated to the various grants at 46% of direct salaries and fringe benefits for the year-ended June 30, 2015. The Appalachian Regional

Commission, the Council's oversight agency, has reviewed and found no fault in the provisional rate. The indirect cost provisional rate is adjusted to actual at year-end if the actual rate is determined to be lower than the provisional rate. However, if the actual rate is higher than the rate used, local income is used to supplement the indirect costs instead of adjusting the rate used. The actual indirect cost rate for the year ended June 30, 2015, is 46% of direct salaries and fringe.

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

Note 2 – Detail Notes on All Funds

Assets

Deposits – All the deposits of the Council are either insured or collateralized by the Pooling method. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Council, these deposits are considered to be held by the Council's agent in 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 amounts of collateral pledged for the Council under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Council has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Council complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2015, the Council's deposits had a carrying amount of \$849,391 and a bank balance of \$978,063. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining covered by collateral held under the Pooling Method. At June 30, 2015, the Council's petty cash fund totaled \$250.

In addition to these cash amounts, \$32,333 is held in the Council operating account for programs where the Council serves as fiscal agent.

Investments – At June 30, 2015, the Council had \$476,684 invested with the North Carolina Capital Management Trust (NCCMT). Of these amounts with the NCCMT, \$276,490 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 AAA by Standard and Poor's at June 30, 2015. The Council had \$200,194 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	\$ 849,391
Cash held with NCCMT	476,684
Petty cash	250
	<u>\$ 1,326,325</u>

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 fund 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 are 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:

Schedule of Revolving Loan Program Receivable

	Total
Balance June 30, 2014	\$ 972,190
Draws of principal	-
Add: Interest earned	6,986
Less: Payments of principal	(5,346)
Balance June 30, 2015	<u>\$ 973,830</u>

Capital Assets – Capital asset activity for the year ended June 30, 2015, was as follows:

Summary of Capital Assets, net of depreciation

	Balance July 01, 2014	Increases	Decreases	Balance June 30, 2015
Governmental activity:				
Capital assets being depreciated:				
Building	\$ 2,483,381	\$ 144,187	\$ 550,413	\$ 2,077,155
Vehicles	55,931	-	-	55,931
Equipment	<u>314,157</u>	<u>39,540</u>	<u>15,575</u>	<u>338,122</u>
Total capital assets being depreciated	<u>2,853,469</u>	<u>183,727</u>	<u>565,988</u>	<u>2,471,208</u>
Less accumulated depreciation for:				
Building	594,965	88,602	118,245	565,322
Vehicles	30,346	5,684	-	36,030
Equipment	<u>249,574</u>	<u>36,703</u>	<u>29,298</u>	<u>256,979</u>
Total accumulated depreciation	<u>874,885</u>	<u>130,989</u>	<u>147,543</u>	<u>858,331</u>
Governmental activity capital assets, net	<u><u>\$ 1,978,584</u></u>	<u><u>\$ 52,738</u></u>	<u><u>\$ 418,445</u></u>	<u><u>\$ 1,612,877</u></u>

A. Liabilities**Local Governmental 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 and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at 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. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. 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, 2015, was 7.07% 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 \$134,111 for the year ended June 30, 2015.

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, 2015, the Council reported an asset of \$239,201 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Council's proportion of the net pension asset 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, 2014, the Council's proportion was 0.040%, which was a decrease of 0.001% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Council recognized pension expense of \$15,273. At June 30, 2015, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 26,137
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	556,855
Changes in proportion and differences between Council contributions and proportionate share of contributions	1,104	-
Council contributions subsequent to the measurement date	134,111	-
Total	\$ 135,215	\$ 582,992

\$134,111 reported as deferred outflows of resources related to pensions resulting from Council contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2016	\$ (145,487)
2017	(145,487)
2018	(145,487)
2019	(145,425)
2020	-
Thereafter	-
	\$ (581,886)

Actuarial Assumptions. The total pension liability in the December 31, 2013 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

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, 2013 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, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 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 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

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 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:

	1% Decrease <u>(6.25%)</u>	Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Council's proportionate share of the net pension liability (asset)	\$ 811,952	\$ (239,201)	\$ (1,124,238)

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 each payroll five percent of each employee's salary. All amounts contributed are vested immediately. Also, employees may make voluntary contributions to the plan. Contributions from employees and the Council for the year ended June 30, 2015 amounted to \$67,062 and \$68,305, respectively.

Other Employment Benefits

The Council has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost sharing plan funded on a one year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump sum death benefit payments

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

Because all death benefit payments are made from the Death Benefit Plan, 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.

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012 for three years, through June 30, 2015. Contributions will resume in the fiscal year beginning July 1, 2015.

Other Post Employment 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 the 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 Post Employment 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, 2015, 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 one 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 retirement of the one eligible employee as OPEB costs will be incurred at that time.

Funded 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 \$46,473; 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 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.

Deferred Outflows and Inflows of Resources – The Council has deferred outflows of resources. Deferred outflows of resources is comprised of the following:

	<u>2015</u>
Changes in proportion and differences between Council contributions and proportionate share of contributions	\$ 1,104
Current fiscal year contribution to pension plan	<u>134,111</u>
Total deferred outflows	<u><u>\$ 135,215</u></u>

Deferred inflows consists of revenue not yet earned in the General Fund and Special Revenue Fund resulting from the receipt of federal or State grants before amounts are earned. The following list shows unearned revenue at June 30, 2015:

	<u>2015</u>
Unearned grants	\$ 303,386
Pension deferrals	<u>582,991</u>
Total deferred inflows	<u><u>\$ 886,377</u></u>

Long-Term Obligations - In January of 2008, the Council entered into a lease-purchase agreement with Buncombe County (County) for the purpose of acquiring the office space at 339 Leicester Crossing. During the year-end 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 semiannual payments of \$61,429 through June 30, 2034 and one final payment of \$12,153 in December, 2034.

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

	<u>Building</u>
June 30, 2016	\$ 122,858
June 30, 2017	122,858
June 30, 2018	122,858
June 30, 2019	122,858
June 30, 2020	122,858
2021 through 2033	1,732,166
	2,346,456
Less: interest	(737,062)
Present value of minimum lease payments	1,609,394
Less: current portion	(56,650)
Lease obligations, less current portion	\$ 1,552,744

Changes in long-term obligations for the fiscal year ended June 30, 2015:

<u>Governmental Activity</u>	<u>Balance</u>			<u>Balance</u>
	<u>June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>
Long term portion of facilities lease	\$ 1,897,375	\$ -	\$ 344,631	\$ 1,552,744
Current portion of long term debt	65,320	56,650	65,320	56,650
Total facilities lease balance	<u>\$ 1,962,695</u>	<u>\$ 56,650</u>	<u>\$ 409,951</u>	<u>\$ 1,609,394</u>
				-
Long term portion of facilities lease	\$ 1,897,375	\$ -	\$ 344,631	\$ 1,552,744
Long term RLF program note	972,190	6,986	5,346	973,830
Obligation for accrued leave	177,333	151,870	155,819	173,384
Long term debt	<u>\$ 3,046,898</u>	<u>\$ 158,856</u>	<u>\$ 505,796</u>	<u>\$ 2,699,958</u>

Fund Balance

The following provides to the public the portion of the General fund balance that is available for appropriation:

Total fund balance	\$ 1,105,290
Less:	
Stabalized by state statute	683,850
Remaining fund balance	\$ 421,440

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

<u>Special Revenues</u>	<u>Non-Major Funds</u>
\$ 371,932	\$ -

Change in Accounting Principles/Restatement

The Council implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in fiscal year ending June 30, 2015. The implementation of the statement required the Council to record beginning net pension liability and the effects on net position of contributions made by the Council during the measurement period (fiscal year ending June 30, 2014). As a result, net position for governmental activities decreased by \$327,412.

Note 4 – Risk Management and Concentrations of Risk

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

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

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

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

Note 5 – Contingency**Federal and State Assisted Programs**

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

LAND-OF-SKY REGIONAL COUNCIL
Schedule of Fringe Benefits
For the Year Ended June 30, 2015

	FY 2015	
		<u>Actual Costs</u>
Fringe Benefits		
FICA		\$ 145,558
LGERS Retirement, 7.07%		134,523
Supplemental Retirement		76,109
Group Insurance		371,685
Other Post Employment Benefits		19,895
Holiday Leave	*	-
Annual Leave	*	-
Sick Leave	*	-
Workers Comp	**	-
Unemployment		-
Total Fringe Benefits		\$ 747,770
Total Annual Salaries (Full Benefits)		1,902,723
Total Personnel Cost		<u>\$ 2,650,493</u>

Fringe Benefit Rate Calculation *

$$\frac{\text{Total Fringe Benefits}}{\text{Total Annual Salaries}} = \frac{\$ 747,770}{\$ 1,902,723} \quad \mathbf{39.30\%}$$

*COG includes Holiday Pay, Annual Leave earned and Sick Leave taken in Annual Salaries as shown.

** Workers' Comp at base rate included in Indirect Operating Costs; additional premiums are charged direct to program.

**Land of Sky Regional Council
Schedule Of Indirect Costs
For the Year Ended June 30, 2015**

	FY 2015
	Total Indirect Actual Costs
Components of Indirect Cost Calculation	
Indirect Expenditures	
Total Indirect Annual Salaries	\$ 353,446
Total Indirect Fringe Benefits at 38.3 % of Salary (includes part-time at lower FB rate)	135,227
Professional Services	61,921
Travel (and training)	14,219
Occupancy costs (depreciation, interest expense, utilities & maintenance)	234,612
Operating Expense	210,733
Contribution to Occupancy Costs	(14,000)
Total Indirect Expenditures	\$ 996,158
Direct Salaries and Fringe Benefits	
Total Personnel Costs	\$ 2,650,493
Less Total Indirect Salaries	(353,446)
Less Total Indirect Fringe Benefits	(135,227)
Total Direct Salaries and Total Direct Fringe Benefits	\$ 2,161,820

Indirect Rate Calculation

$$\frac{\text{LOSRC Indirect Expenditures}}{\text{Total Direct Salaries and Total Direct Fringe Benefits}} = \frac{\$ 996,158}{\$ 2,161,820} = 46\%$$

Combining Statement of Fiduciary Net Position- Fiduciary Funds
Agency Funds
June 30, 2015

	CarolinaWest Inc	WNC Highway Corridors	Total Agency Funds
<u>Assets</u>			
Cash	<u>\$ 28,313</u>	<u>\$ 4,020</u>	<u>\$ 32,333</u>
<u>Liabilities</u>			
Held in trust for other purposes	<u>\$ 28,313</u>	<u>\$ 4,020</u>	<u>\$ 32,333</u>

LAND-OF-SKY REGIONAL COUNCIL

Schedule 3

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
All Governmental Funds
For the Year Ended June 30, 2015

	General		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Federal government	\$ -	\$ -	\$ -
State of North Carolina	8,000	8,000	-
Local governmental awards and membership dues	649,071	713,512	64,441
Facilities and other income	202,400	218,832	16,432
Private	21,364	403	(20,961)
In-kind	-	-	-
Interest income	300	256	(44)
Total revenue	<u>881,135</u>	<u>941,003</u>	<u>59,868</u>
Expenditures:			
Local services			
Council operations	899,880	791,381	108,499
Host for Regional Brownfields Representative	8,000	8,000	-
Subtotal for local services	<u>907,880</u>	<u>799,381</u>	<u>108,499</u>
Buncombe County Supplemental Funds for Aging Services	-	-	-
Mission Foundation - Fall Prevention	-	-	-
Buncombe Co Aging Plan	-	-	-
Aging-MIPPA	-	-	-
Aging - Planning	-	-	-
SB1559 Aging Funds - P&A	-	-	-
Aging - Health Promotions	-	-	-
Aging-Health Assessment	-	-	-
LGBT-Health Promotions	-	-	-
Aging-CRC	-	-	-
Aging - Services	-	-	-
Aging-Sr Center GP & OR	-	-	-
Aging-Fan&Heat Relief	-	-	-
Family Caregiver Support	-	-	-
FCSP event	-	-	-
Project CARE, donations and carryover	-	-	-
Project CARE Admin Services	-	-	-
CDSMP, Self-Sustaining	-	-	-
Buncombe Co Minority Health Collaboration - Year 3	-	-	-
Buncombe Co Minority Health Collaboration	-	-	-
Regional Ombudsman	-	-	-
Elder Abuse	-	-	-
CAC - Buncombe County	-	-	-
Sr Community Service Experience Program	-	-	-
SCSEP, Opportunity	-	-	-
Volunteer Services - Fundraising	-	-	-
Retired Senior Volunteer Program FYE 03/31/15	-	-	-
Retired Senior Volunteer Program FYE 03/31/16	-	-	-
FGP FY 7/1 - 6/30	-	-	-
Senior Companion FYE 09/29/14	-	-	-
Senior Companion	-	-	-
Subtotal Human Service	<u>-</u>	<u>-</u>	<u>-</u>

LAND-OF-SKY REGIONAL COUNCIL

Schedule 3

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
All Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue			Variance Positive (Negative)
	Budget	Actual		
Revenues:				
Federal government	\$ 8,234,578	\$ 6,598,402		\$ (1,636,176)
State of North Carolina	2,210,208	1,995,771		(214,437)
Local governmental agencies and membership dues	1,188,573	1,261,085		72,512
Facilities and other income	13,413	110,709		97,296
Private	267,883	51,241		(216,642)
In-kind	328,114	309,315		(18,799)
Interest income				-
Total revenue	<u>12,242,769</u>	<u>10,326,523</u>		<u>(1,916,246)</u>
Expenditures:				
Local services				
Council operations	-	-		-
Host for Regional Brownfields Representative	-	-		-
Subtotal for local services	-	-		-
Buncombe County Supplemental Funds for Aging Services	508,595	507,943		652
Mission Foundation - Fall Prevention	3,335	1,735		1,600
Buncombe Co Aging Plan	34,671	34,671		-
Aging-MIPPA	20,314	16,898		3,416
Aging - Planning	239,548	223,363		16,185
SB1559 Aging Funds - P&A	48,262	48,261		1
Aging - Health Promotions	32,812	32,406		406
Aging-Health Assessment	5,000	-		5,000
LGBT-Health Promotions	1,212	479		733
Aging-CRC	64,000	63,200		800
Aging - Services	2,937,709	2,859,617		78,092
Aging-Sr Center GP & OR	51,910	51,910		-
Aging-Fan&Heat Relief	5,029	5,029		-
Family Caregiver Support	211,174	212,364		(1,190)
FCSP event	808	-		808
Project CARE, donations and carryover	10,171	1,833		8,338
Project CARE Admin Services	97,770	93,777		3,993
CDSMP, Self-Sustaining	4,500	1,148		3,352
Buncombe Co Minority Health Collaboration - Year 3	20,015	20,015		-
Buncombe Co Minority Health Collaboration	5,000	240		4,760
Regional Ombudsman	307,865	307,862		3
Elder Abuse	7,446	9,027		(1,581)
CAC - Buncombe County	1,000	1,000		-
Sr Community Service Experience Program	196,738	184,355		12,383
SCSEP, Opportunity	1,175	-		1,175
Volunteer Services - Fundraising	4,732	706		4,026
Retired Senior Volunteer Program FYE 03/31/15	153,380	115,706		37,674
Retired Senior Volunteer Program FYE 03/31/16	38,133	25,963		12,170
FGP FY 7/1 - 6/30	339,344	335,654		3,690
Senior Companion FYE 09/29/14	89,216	65,102		24,114
Senior Companion	279,757	234,384		45,373
Subtotal Human Service	<u>5,720,621</u>	<u>5,454,648</u>		<u>265,973</u>

LAND-OF-SKY REGIONAL COUNCIL

Schedule 3

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
All Governmental Funds
For the Year Ended June 30, 2015

	General		Variance Positive (Negative)
	Budget	Actual	
Triangle J ENR	-	-	-
WRP SEO Energy Assesssments	-	-	-
WRP DPPEA SWMTF	-	-	-
WRP DPPEA	-	-	-
WRP AVL Regional Water	-	-	-
WRP SEO Energy Mentoring	-	-	-
WRP Private Contribution	-	-	-
WRP Tobacco Trust	-	-	-
WRP EPA Hospitality Phase III	-	-	-
WRP RUS 19 Solid Waste (WRP) 10/1/13-09/30/14	-	-	-
WRP RUS 20 Solid Waste (WRP) 10/1/14-09/30/15	-	-	-
WRP USDA/REDA	-	-	-
WRP TJCOG DAQ	-	-	-
WRP-USDA Energy Audits & Renew En Dev 04/24/15-04/23/16	-	-	-
Clean Air Campaign	-	-	-
CMAQ-DOT	-	-	-
Blue Ridge Parkway	-	-	-
SEO Clean Cities	-	-	-
DOE Clean Cities	-	-	-
NCSU DOE AFIT	-	-	-
Recycling Education Vehicle	-	-	-
RUS 19 Solid Waste (LGS) 10/01/13-09/30/14	-	-	-
RUS 20 Solid Waste (LGS) 10/01/14-09/30/16	-	-	-
Riverweek	-	-	-
PRF - French Broad Stormwater Solutions	-	-	-
205(j) Black Mountain Watershet Plan 05/1/15-02/1/16	-	-	-
Subtotal Environmental Protection	<hr/>	<hr/>	<hr/>
ARC Administrative Assistance	-	-	-
Economic Development Administration	-	-	-
Member Government Technical Assistance	-	-	-
ARC Technical Assistance	-	-	-
USDA - Agriventures	-	-	-
CFWNC - Agriventures	-	-	-
ARC-Growing Local	-	-	-
CDBG Grantwriting	-	-	-
EPA Regional Brownfields Initiative RLF	-	-	-
EDA Craft Beverage	-	-	-
AdvWest NCDA&CS, Planning	-	-	-
Brownfields Conference Fund-Raising	-	-	-
City of Asheville, Fair Housing Implementation Plan	-	-	-
CDBG-Henderson Co Catalyst, Dodd-Meadows	-	-	-
CDBG-Madison Co Scattered Site Administration	-	-	-
CDBG-Madison Co Scattered Service Delivery	-	-	-
CDBG-Brevard, Cottages	-	-	-
CDBG-Marshall Infrastructure	<hr/>	<hr/>	<hr/>
Subtotal Economic and Community Development	<hr/>	<hr/>	<hr/>

LAND-OF-SKY REGIONAL COUNCIL

Schedule 3

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

All Governmental Funds

For the Year Ended June 30, 2015

	Special Revenue		
	Budget	Actual	Variance Positive (Negative)
Triangle J ENR	1,805	1,805	-
WRP SEO Energy Assesssments	84,254	76,054	8,200
WRP DPPEA SWMTF	20,000	20,000	-
WRP DPPEA	20,000	20,000	-
WRP AVL Regional Water	15,000	15,000	-
WRP SEO Energy Mentoring	37,000	37,000	-
WRP Private Contribution	15,000	12,809	2,191
WRP Tobacco Trust	40,000	24,200	15,800
WRP EPA Hospitality Phase III	30,722	20,769	9,953
WRP RUS 19 Solid Waste (WRP) 10/1/13-09/30/14	15,535	15,535	-
WRP RUS 20 Solid Waste (WRP) 10/1/14-09/30/15	59,000	60,126	(1,126)
WRP USDA/REDA	50,254	29,828	20,426
WRP TJCOG DAQ	9,000	-	9,000
WRP-USDA Energy Audits & Renew En Dev 04/24/15-04/23	-	14,891	(14,891)
Clean Air Campaign	5,161	653	4,508
CMAQ-DOT	62,225	30,437	31,788
Blue Ridge Parkway	1,968	1,446	522
SEO Clean Cities	79,736	56,219	23,517
DOE Clean Cities	58,683	12,079	46,604
NCSU DOE AFIT	15,000	15,000	-
Recycling Education Vehicle	21,558	2,810	18,748
RUS 19 Solid Waste (LGS) 10/01/13-09/30/14	12,500	12,500	-
RUS 20 Solid Waste (LGS) 10/01/14-09/30/16	33,750	18,084	15,666
Riverweek	5,434	4,810	624
PRF - French Broad Stormwater Solutions	16,297	12,128	4,169
205(j) Black Mountain Watershet Plan 05/1/15-02/1/16	10,000	-	10,000
Subtotal Environmental Protection	719,882	514,183	205,699
ARC Administrative Assistance	163,100	161,849	1,251
Economic Development Administration	90,400	81,876	8,524
Member Government Technical Assistance	80,960	74,151	6,809
ARC Technical Assistance	26,000	14,035	11,965
USDA - Agriventures	235,172	180,567	54,605
CFWNC - Agriventures	52,215	9,769	42,446
ARC-Growing Local	71,082	71,082	-
CDBG Grantwriting	750	-	750
EPA Regional Brownfields Initiative RLF	339,172	32,912	306,260
EDA Craft Beverage	40,011	25,315	14,696
AdvWest NCDA&CS, Planning	46,768	46,768	-
Brownfields Conference Fund-Raising	2,609	-	2,609
City of Asheville, Fair Housing Implementation Plan	6,969	6,969	-
CDBG-Henderson Co Catalyst, Dodd-Meadows	12,620	4,535	8,085
CDBG-Madison Co Scattered Site Administration	9,272	9,272	-
CDBG-Madison Co Scattered Service Delivery	4,494	4,494	-
CDBG-Brevard, Cottages	611	610	1
CDBG-Marshall Infrastructure	5,000	5,827	(827)
Subtotal Economic and Community Development	1,187,205	730,031	457,174

LAND-OF-SKY REGIONAL COUNCIL

Schedule 3

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
All Governmental Funds
For the Year Ended June 30, 2015

	General		Variance Positive (Negative)
	Budget	Actual	
Rural Transportation Planning Organization	-	-	-
Buncombe Co Mountain Mobility, Admin Operations	-	-	-
Buncombe Co Mountain Mobility R.I.D.E., Pass-Through	-	-	-
Bunc Co Transportation EDTAP, Pass-Through	-	-	-
Buncombe Co Transprotation Call-A-Ride, Pass Through	-	-	-
French Broad River Metropolitan Planning Org.	-	-	-
Subtotal Transportation	<hr/>	<hr/>	<hr/>
Workforce Investment Act-Administration	-	-	-
WIA Adult Program	-	-	-
WIA Dislocated Worker Program	-	-	-
WIA OJT PY	-	-	-
WIA IWP	-	-	-
WIA-OJT	-	-	-
WIA-IWP	-	-	-
WIA Youth Program	-	-	-
Subtotal Workforce Development	<hr/>	<hr/>	<hr/>
Total expenditures	907,880	799,381	108,499
Revenues over (under) expenditures	(26,745)	141,622	168,367
Other financing sources (uses):			
Appropriated Fund Balance	26,745	-	(26,745)
Net change in fund balances	\$ -	141,622	\$ 141,622
Fund balances - beginning of year		963,668	
Fund balances - ending of year	\$ 1,105,290		

LAND-OF-SKY REGIONAL COUNCIL

Schedule 3

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
All Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue		Variance
	Budget	Actual	Positive (Negative)
Rural Transportation Planning Organization	115,625	115,625	-
Buncombe Co Mountain Mobility, Admin Operations	297,246	297,246	-
Buncombe Co Mountain Mobility R.I.D.E., Pass-Through	37,000	35,131	1,869
Bunc Co Transportation EDTAP, Pass-Through	102,483	33,106	69,377
Buncombe Co Transprotation Call-A-Ride, Pass Through	10,000	8,079	1,921
French Broad River Metropolitan Planning Org.	646,739	592,913	53,826
Subtotal Transportation	1,209,093	1,082,100	126,993
Workforce Investment Act-Administration	304,926	267,180	37,746
WIA Adult Program	919,138	753,192	165,946
WIA Dislocated Worker Program	976,207	651,613	324,594
WIA OJT PY	31,160	31,160	-
WIA IWP	45,794	33,995	11,799
WIA-OJT	50,000	50,000	-
WIA-IWP	24,703	2,505	22,198
WIA Youth Program	1,054,040	755,916	298,124
Subtotal Workforce Development	3,405,968	2,545,561	860,407
Total expenditures	12,242,769	10,326,523	1,916,246
Revenues over (under) expenditures	-	-	-
Other financing sources (uses):			
Appropriated Fund Balance	\$ -	-	-
Net change in fund balances	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances - beginning of year	-	-	-
Fund balances - ending of year	<u>-</u>	<u>-</u>	<u>-</u>

LAND-OF-SKY REGIONAL COUNCIL
Schedule of Revenues, Expenditures by Type -
All Governmental Funds
For the Year Ended June 30, 2015

Schedule 4

	General Fund	Special Revenue Fund	Governmental Funds
Revenues:			
Federal government	\$ -	6,598,402	\$ 6,598,402
State of North Carolina	8,000	1,995,771	2,003,771
Local governmental awards and membership dues	713,512	1,261,085	1,974,597
Facilities and other income	218,832	110,709	329,541
Private contributions	403	51,241	51,644
In-kind	-	309,315	309,315
Interest income	256	-	256
Total revenue	941,003	10,326,523	11,267,526
Expenditures:			
Personnel - direct	83,343	1,514,224	1,597,567
Personnel - indirect/field	21,337	436,250	457,587
Fringe benefits	37,401	725,154	762,555
Telephone and postage	3,323	28,626	31,949
Travel	2,732	115,977	118,709
Rent	-	2,259	2,259
Utilities	875	14,459	15,334
Maintenance and repairs	2,834	43,745	46,579
Liability insurance	2,297	19,370	21,667
Training and workshops	396	22,130	22,526
Supplies	4,146	45,255	49,401
Contractual	3,564	127,737	131,301
Dues and subscriptions	7,001	43,117	50,118
Printing	1,478	8,942	10,420
Advertising	1,603	17,275	18,878
Legal fees	200	6,906	7,106
Techonology	10,424	99,319	109,743
Leased equipment	1,364	24,508	25,872
Capital outlay	15,621	23,919	39,540
Facilities costs	5,372	159,933	165,305
Other	19,018	26,959	45,977
	224,329	3,506,064	3,730,393
Debt service:			
Debt service - principal	65,319	-	65,319
Debt service - interest	80,443	-	80,443
	145,762	-	145,762
Other:			
In-kind	-	309,315	309,315
Non-cash exchange			
Disposition of portion of building	(432,168)	-	(432,168)
Reduction of lease obligation	287,981	-	287,981
Renovation of building	144,187	-	144,187
Uncollectible accounts	8,228	-	8,228
Subcontracted/pass-through	421,062	6,511,144	6,932,206
	429,290	6,820,459	7,249,749
Total expenditures	799,381	10,326,523	11,125,904
Net change in fund balances	\$ 141,622	\$ -	\$ 141,622

Land of Sky Regional Council
Required Supplementary Information
SCHEDULE OF THE COUNCIL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(ASSET)
Local Government Employees' Retirement System
Last Two Fiscal Years

	2015	2014
Council's proportion of the net pension liability (asset) (%)	0.0400%	0.0410%
Council's proportion of the net pension liability (asset)	\$ (239,201)	\$ 499,029
Covered-employee payroll	1,896,903	2,427,394
Council's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	12.61%	-20.56%
Plan fiduciary net position as a percentage of the total pension liability	102.64%	94.35%

Land of Sky Regional Council
Required Supplementary Information

SCHEDULE OF COUNCIL CONTRIBUTIONS
Local Government Employees' Retirement System
Last Two Fiscal Years

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

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

To the Board of Directors
Land of Sky Regional Council
Asheville, North Carolina 28806

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, the business-type activities and each major fund of the Land of Sky Regional Council, North Carolina (the Council), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Land of Sky Regional Council basic financial statements, and have issued our report thereon dated March 31, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 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 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the 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 Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Elizabeth Keel Gomes, PLLC

Certified Public Accountant

March 31, 2016

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH APPLICABLE SECTIONS OF OMB CIRCULAR A-133, AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

To the Board of Directors
Land of Sky Regional Council
Asheville, North Carolina 28806

Report on Compliance for Each Major Federal Program

We have audited the Land of Sky Regional Council (the Council), compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Land of Sky Regional Council's major federal programs for the year ended June 30, 2015. The Land of Sky Regional Council's major federal programs are identified in the summary of auditor's 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 applicable sections of OMB Circular A-133, *Audits of States, Local Governments and Non Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Land of Sky Regional Council complied, in all material respects, with the 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, 2015.

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, we considered the Council's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, 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 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 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Elizabeth Keel Gomes, PLLC
Certified Public Accountant
March 31, 2016

Elizabeth Keel Gomes, PLLC

Certified Public Accountant

60 Ravenscroft Drive, Asheville, NC 28801 (828) 254-1700

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR STATE
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH APPLICABLE
SECTIONS OF OMB CIRCULAR A-133, AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

To the Board of Directors
Land of Sky Regional Council
Asheville, North Carolina 28806

Report on Compliance for Each Major State Program

We have audited the Land of Sky Regional Council (the Council), compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Land of Sky Regional Council's major state programs for the year ended June 30, 2015. The Land of Sky Regional Council's major state programs are identified in the summary of auditor's 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 OMB Circular A-133, *Audits of States, Local Governments and Non Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with each major state program. However, our audit does not provide a legal determination of 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 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, 2015.

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, we considered the Council's internal control over compliance with the requirements that could have a direct and material effect on a major State program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, 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 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 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Elizabeth Keel Gomes, PLLC
Certified Public Accountant
March 31, 2016

LAND OF SKY REGIONAL COUNCIL
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2015

	Federal CFDA Number	Pass-Through Grantor Number	Federal	State
U.S. Department of Agriculture:				
Rural Energy for America Program	10.868		\$ 44,720	\$ -
Rural Community Development Initiative	10.446		60,567	-
Technical Assistance & Training Grants	10.761		96,745	-
Total U.S. Department of Agriculture			<u>202,032</u>	<u>-</u>
U.S. Department of Commerce:				
Economic Development-Support for Planning Organizations	11.302		62,321	-
Economic Development-Technical Assistance	11.303		25,314	-
Total U.S. Department of Commerce			<u>87,635</u>	<u>-</u>
U.S. Department of Energy:				
<i>Passed through NC Department of Environment and Natural Resources, State Energy Program</i>				
State Energy Program	81.041	DE-EE0003881, 5718	76,054	-
State Energy Program	81.041	5725	56,219	-
81.041			<u>132,273</u>	<u>-</u>
<i>Contracted with NCSU - DOE AFIT</i>				
Conservation Research and Development	81.086	2012-2899-03	15,000	-
Total U.S. Department of Energy			<u>147,273</u>	<u>-</u>
U.S. Department of Health & Human Services:				
<i>Passed through NC Dept. of Health and Human Services, Div. of Aging & Adult Services</i>				
<u>Special Programs for the Aging</u>				
Title VII, Chapter 3-Programs for Prevention of Elder Abuse, Neglect &	93.041	14/15AANCT7EA	6,331	372
Title VII, Chapter 2-Long Term Care Ombudsman Services for Older I	93.042	14/15AANCT7OM	53,682	3,158
Title III, Part D-Disease Prevention & Health Promotion Services	93.043	14/15AANCT3PH	27,890	1,641
<u>AGING CLUSTER:</u>				
<u>Special Programs for the Aging</u>				
Title III, Part B-Grants for Supportive Services & Senior Centers	93.044	14/15AANCT3SS	577,377	1,311,413
Title III, Part B-Grants for Supportive Services & Senior Centers-Legal	93.044	14/15AANCT3SS	58,335	3,432
Title III, Part B-Grants for Supportive Services & Senior Centers-Omb	93.044	14/15AANCT3SS	121,046	99,189
Title III, Part B-Grants for Supportive Services & Senior Centers-Plann	93.044	14/15AANCT3SS	48,947	2,682
Title III, Part C1, Nutrition Services	93.045	14/15AANCT3CM	324,462	18,745
Title III, Part C2, Nutrition Services	93.045	14/15AANCT3HD	214,116	191,802
Nutrition Services Incentive Program	93.053	14AANCNSIP	121,941	-
Total Aging Cluster			<u>1,466,224</u>	<u>1,627,263</u>
National Family Caregiver Support, Title III, Part E	93.052	14/15AANCT3FC	230,966	15,020
Medicare Enrollment Assistance Program	93.071	RQ17318461	10,503	-
Medicare Enrollment Assistance Program	93.071	RQ18292855	6,395	-
Social Services Block Grant	93.667	NC-01	123,858	3,539
Total U.S. Department of Health & Human Services			<u>1,925,849</u>	<u>1,650,993</u>
U.S. Department of Housing and Urban Development:				
<i>Passed through NC Dept. of Commerce, Division of Community Assistance</i>				
Community Development Block Grant/State's Program	14.228	CDBG	4,534	-
Community Development Block Grant/State's Program	14.228	CDBG 11-C-2318	13,766	-
14.228			<u>18,300</u>	<u>-</u>
Total U.S. Department of Housing & Urban Development			<u>18,300</u>	<u>-</u>
U.S. Department of Labor:				
<i>Passed through NC Department of Commerce, Division of Workforce Solutions</i>				
WIA/WIOA-Adult Program	17.258		753,122	-
WIA/WIOA-Dislocated Worker Formula Grants	17.278		651,613	-
WIA/WIOA-Youth Activities	17.259		755,915	-
WIA/WIOA-Administrative Cost Pool/Incentives/Capital and Special C	17.258-17.278		384,841	-

Total Workforce Investment Act Cluster			2,545,491	-
<i>Passed through NC Dept. of Health and Human Services</i>				
Senior Community Service Employment Program	17,235		163,059	-
Total Department of Labor			<u>2,708,550</u>	<u>-</u>
 Appalachian Regional Commission:				
Appalachian Local Development District Assistance	23,009		83,987	-
Appalachian Area Development	23,002		42,710	-
Total Appalachian Regional Commission			<u>126,697</u>	<u>-</u>
 U.S. Department of Transportation, Federal Highway Administration:				
<i>Passed through NC Department of Transportation</i>				
Highway Planning Construction	20,205	C-5564/WBS 44110.3.1	30,437	-
<i>Passed through NC Department of Transportation, State Planning and Research/PL104(f) funds, WBS (39225.1.2)</i>				
Highway Planning Construction	20,205-5	WBS 39225.1.2	474,330	-
Highway Planning Construction	20,205	WBS 39225.1.2	92,500	-
	20,205		<u>597,267</u>	<u>-</u>
Total Federal Highway Administration			<u>597,267</u>	<u>-</u>
 Environmental Protection Agency:				
Source Reduction Assistance	66,717		20,769	-
Brownfields Assessment & Cleanup Cooperative Agreements	66,818		20,719	-
Total Environmental Protection Agency			<u>41,488</u>	<u>-</u>
 Corporation for National and Community Service:				
Retired and Senior Volunteer Program	94,002		115,055	-
Foster Grandparent/Senior Companion Cluster				
Foster Grandparent Program	94,011		335,654	-
Senior Companion Program	94,016		292,602	-
Total FGP/SCP Cluster			<u>628,256</u>	<u>-</u>
Total Corporation for National and Community Service			<u>743,311</u>	<u>-</u>
 State Programs:				
NC Department of Environment and Natural Resources				
Division of Pollution Prevention & Environmental Assistance				
Waste Reduction Partners-Waste Reduction & Pollution Prevention Technical Assistance	4027		-	40,000
Waste Reduction Partners-Advancing Energy Performance Contracting	5930		-	37,000
<i>Contracted with Triangle J Council of Governments</i>				
Waste Reduction Partners, Innovation Waste Reduction Technical Assistance	4688		-	1,804
Total NC Department of Environment and Natural Resources			<u>-</u>	<u>78,804</u>
NC Department of Health and Human Services				
Division of Aging and Adult Services				
Senior Center General Purpose Funding	NC-01		-	38,932
State AAA Administrative Cost	NC-01		-	48,261
Project C.A.R.E.	00031219		-	93,778
Total NC Department of Health and Human Services			<u>-</u>	<u>180,971</u>
NC Department of Commerce				
Appalachian Regional Commission-Local Government Technical Assistance	CWP-14-B		-	5,375
Appalachian Regional Commission-Local Government Technical Assistance	CWP-15-B		<u>-</u>	<u>8,660</u>
Total NC Department of Commerce			<u>-</u>	<u>14,035</u>
NC Department of Agriculture & Consumer Services, <i>Contracted with AdvantageWest EDC</i>				
Planting the Seeds for a Robust WNC Biofuels Sector	14-E-139-RSD-TVA		<u>-</u>	<u>46,768</u>
NC Tobacco Trust Fund Commission				
Agricultural Plastics Recycling	2014-012-06		<u>-</u>	<u>24,200</u>
 Total Federal and State Awards Expended			<u>\$ 6,598,402</u>	<u>\$ 1,995,771</u>

LAND OF SKY REGIONAL COUNCIL
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2015

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 (SEFSA) includes the federal and state grant activity of Land of Sky Regional Council and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit organizations, and the State Single Audit Implementation Act. 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 balances outstanding at June 30, 2015. 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 Name	Pass-through		
	CFDA Number	Grantor Number	Amount Outstanding
Brownfields Assessment & Cleanup Cooperative Agreements	66.818	-	\$ 973,830

3. Subrecipients

Of the federal and state expenditures presented in the schedule, the Council provided federal and state awards to subrecipients as follows:

Program Name	CFDA Number	State	
		Grantor Number	Federal
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044		\$ 636,766
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045		453,816
National Family Caregiver Support	93.052		40,882
Nutrition Services Incentive Program	93.053		121,936
Medicare Enrollment Assistance Program	93.071		3,269
Social Services Block Grant	93.667		123,858
Special Programs for the Aging, Title III, Part D, Disease Prevention & Health Promotion	93.043		4,752
Senior Center General Purpose Funding		NC-01	-
WIA/WIOA-Adult Program	17.258		602,448
WIA/WIOA-Dislocated Worker Formula Grants	17.278		484,587
WIA/WIOA-Youth Activities	17.259		720,819
WIA/WIOA-Incentives/Special Grants	17.258-17.278		81,160
Highway Planning Construction	20.205-5		188,680
			<u>\$ 3,462,973</u>
			<u>\$ 1,568,958</u>

LAND-OF-SKY REGIONAL COUNCIL**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015****Section I. Summary of Auditor's Results****Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiencies identified
that are not considered to be
material weaknesses yes no

Noncompliance material to financial
statements noted yes no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? yes no

Significant Deficiencies(s) identified
that are not considered to be
material weaknesses yes no

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

Any audit findings disclosed that are required
to be reported in accordance with Section
510(a) of Circular A-133? yes no

Identification of major federal programs:

<u>CFDA#</u>	<u>Program or Cluster Name</u>
17.258, 17.259, 17.278	Workforce Investment Act Cluster
20.205	Highway Planning Construction
66.818	Brownfields Assessment and Cleanup Cooperative Agreements
93.044, 93.045, 93.053	Aging Cluster
94.011, 94.016	Foster Grandparent /Senior Companion Cluster

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

\$ 500,000

Auditee qualified as low-risk auditee? yes no

State Awards

Internal control over major state programs:

Material weakness(es) identified? yes no

Significant deficiencies identified
that are not considered to be
material weaknesses yes none reported

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

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

Single Audit Implementation Act? yes no

Identification of major state programs:

<u>NC Grantor Number</u>	<u>Program Name or Cluster</u>
14/15AANCT3SS, CM and HD	Aging Cluster

Section II. Financial Statement Findings

Findings: None

Significant Deficiencies: None

Section III. Federal Award Findings and Questioned Costs

Findings: None

Significant Deficiencies: None

Section IV. State Award Findings and Questioned Costs

Findings: None

Significant Deficiencies: None

Summary Schedule of Prior Year Audit Findings

For the Year Ended June 30, 2015

2014

There were no findings.

2013

There were no findings.

2012

There were no findings.

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To the North Carolina Local Government Commission:

We have issued a management letter for Land of Sky Regional Council.

Respectfully,

Elizabeth Keel, PLLC
March 31, 2016