

**LAND OF SKY REGIONAL
COUNCIL**

Financial Statements and
Compliance Report
For the Year Ended
June 30, 2023

LAND OF SKY REGIONAL COUNCIL

ASHEVILLE, NORTH CAROLINA

EXECUTIVE COMMITTEE AND BOARD OF DELEGATES

As of the Financial Statement Release Date

Executive Committee

<u>Office Position</u>	<u>Name</u>	<u>Area Position</u>
Chair	Patrick Fitzsimmons	Mayor, Weaverville
Vice-Chair	Maureen Copelof	Mayor, Brevard
Secretary	Preston Blakely	Mayor, Fletcher
Treasurer	Matt Wechtel	Commissioner, Madison County
Past Chair	Barbara Volk	Mayor, Hendersonville
County Delegate	Jason Chappell	Commissioner, Transylvania
Municipal Delegate	Sandra Kilgore	Councilwoman, Asheville
Minority Representative	Burton Hodges	Transylvania County
Aging Representative	Bob Tomasulo	Chair, Regional Aging Advisory

Board of Delegates

<u>Jurisdiction</u>	<u>Primary Delegate</u>	<u>Alternate Delegate</u>
Buncombe County	Terri Wells	Tim Love
Henderson County	Rebecca McCall	John Mitchell
Henderson County		Christopher Todd
Madison County	Matt Wechtel	Michael Garrison
Madison County		Jeremy Hensley
Madison County		Bill Briggs
Madison County		Alan Wyatt
Transylvania County	Jason Chappell	Larry Chapman
Asheville	Sandra Kilgore	Antanette Mosley
Biltmore Forest	George Goosmann, III	Jonathan Kanipe
Black Mountain	Pam King	Archie Pertiller
Brevard	Maureen Copelof	Mac Morrow
Flat Rock	Barbara Jeter	Pat Christie
Flat Rock		David Dethero
Fletcher	Preston Blakely	Mark Biberdorf
Fletcher		Bob Davy
Hendersonville	Barbara Volk	Lyndsey Simpson
Hendersonville		John Connet
Hot Springs	Abigail Norton	
Laurel Park	Deb Bridges	Paul Henson
Laurel Park		Carey O'Cain

LAND OF SKY REGIONAL COUNCIL

ASHEVILLE, NORTH CAROLINA

EXECUTIVE COMMITTEE AND BOARD OF DELEGATES

As of the Financial Statement Release Date (Continued)

Board of Delegates (Continued)

<u>Jurisdiction</u>	<u>Primary Delegate</u>	<u>Alternate Delegate</u>
Mars Hill	John Chandler	Nathan Bennett
Marshall	Nancy Allen	Aileen Payne
Marshall		Billie Jean Haynie
Marshall		Forrest Gilliam
Mills River	Jeff Young	Daniel Cobb
Montreat	Blake Mason	Kitty Fouche
Rosman	Brian Shelton	Missy Hendricks
Weaverville	Patrick Fitzsimmons	Doug Jackson
Weaverville		Jeff McKenna
Woodfin	Elisabeth Ervin	Sheri Powers
Woodfin		Shannon Tuch

At-Large Delegates

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

Economic Development Delegates

<u>Jurisdiction</u>	<u>Primary Delegate</u>
Buncombe County	Justin Tyler
Henderson County	Brittany Brady
Madison County	Brad Guth
Transylvania County	Burt Hodges

Program Representative Delegates

<u>Program</u>	<u>Primary Delegate</u>
Aging	Bob Tomasulo

LAND OF SKY REGIONAL COUNCIL

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INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Land of Sky Regional Council (the "Council"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise of the Council's basic financial statements as listed in the table of contents.

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 Land of Sky Regional Council as of June 30, 2023, and the respective changes in financial position, the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Audit of 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about the Council's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that

includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect material statement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Governmental Auditing Standards* we

- Exercised professional judgement and maintained professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsible to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 12 and the Schedule of the Proportionate Share of the Net Pension Liability, and the Schedule of Council Contributions on pages 40 and 41, respectively be presented to supplement the basic financial statements. Such information is the responsibility of management, 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 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 combining fund financial statements, individual fund budgetary schedule and other indirect cost schedule, as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such

information 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. The 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 combining fund financial statements, budgetary schedule, other indirect cost schedule, and the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023, 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 that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Land of Sky Regional Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Land of Sky Regional Council's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

October 31, 2023
Elon, North Carolina
(336) 380-4123

**LAND OF SKY REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

As management of Land of Sky Regional Council (the Council) we offer readers of the Council's financial statements this narrative overview and analysis of the financial activities of Land of Sky Regional Council for the fiscal year ended June 30, 2023. This information should be read in conjunction with the audited financial statements included in this report.

Overview of Land of Sky Regional Council

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

Financial Highlights

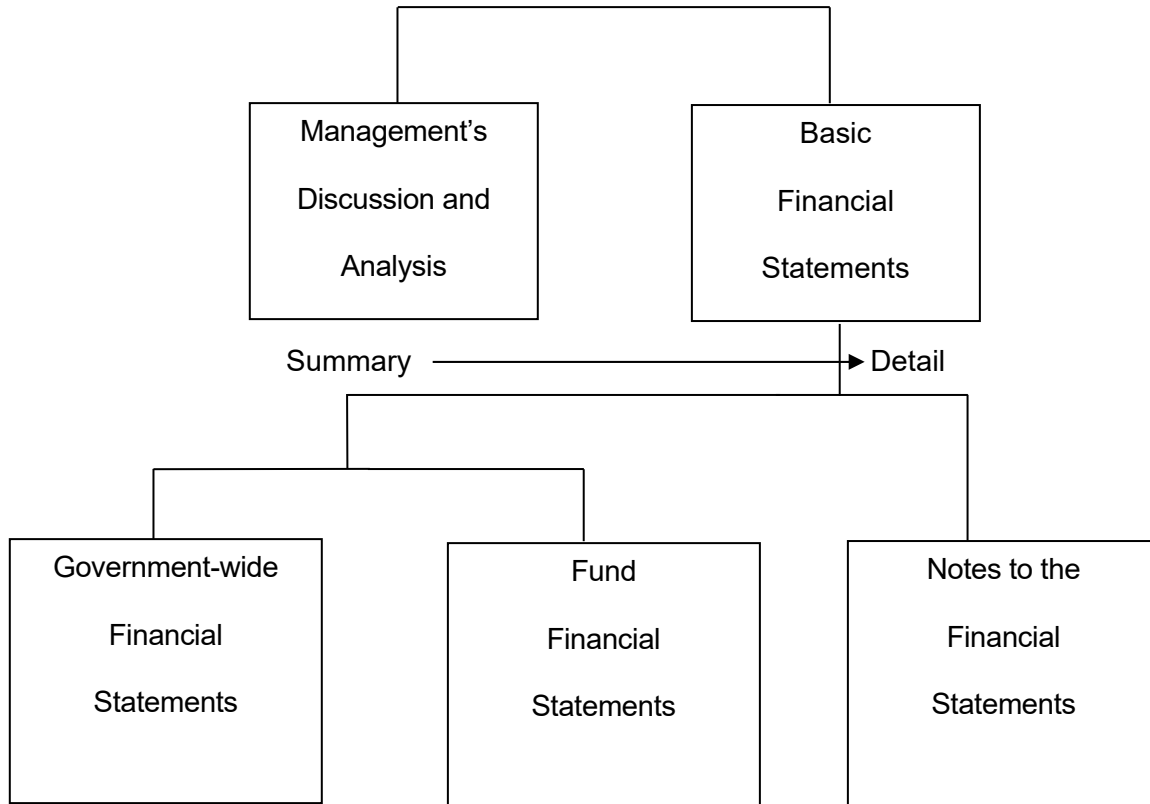
- The assets and deferred outflows of resources of the Council exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$4,224,562 (net position).
- The Council's total net position increased by \$97,656.
- As of the close of the current fiscal year, the Council's governmental fund reported an ending fund balance of \$4,351,436, an increase of \$408,800 in comparison with the prior year. Of this total amount, \$3,490,208 is restricted by state statute.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$553,413.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 7) are *Fund Financial Statements*. These statements focus on the activities of the individual parts of the Council's government. These statements provide more detail than the government-wide statements. There are three parts to the fund financial statements: 1) the governmental funds statements, 2) the budgetary comparison statement, and 3) the fiduciary fund statements.

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

**LAND OF SKY REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

Government-wide 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.

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

The government-wide financial statements are Exhibits 1 and 2 of this report.

Fund Financial Statements

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

Land of Sky Regional Council has two types of funds:

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

The Council adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document. It also authorizes the Council to obtain funds from identified

**LAND OF SKY REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Council complied with the budget ordinance and whether 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 Council; 2) the final budget as amended by the Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

The governmental fund statements are shown as Exhibits 3, 4 and 5 of this report.

Fiduciary fund: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Council has three fiduciary funds, which are custodial funds.

The fiduciary fund statements are shown as Exhibits 6 and 7 of this report.

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.

Other Information: In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Council's progress in funding its obligation to provide pension benefits to its employees.

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

**LAND OF SKY REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

Financial Analysis of the Council as a Whole

Net position is an indicator of the fiscal health of the Council. Assets exceeded liabilities by \$4,224,562 as of June 30, 2023. A significant portion of net position is restricted for Stabilization by State Statute of \$3,490,208. \$983,613 is restricted for the Revolving loan program.

Following is a summary of the Statement of Net Position:

Table 1		
Condensed Statement of Net Position		
As of June 30, 2023 and 2022		
	<u>Governmental Activities</u>	
	<u>6/30/2023</u>	<u>6/30/2022</u>
Current assets	\$ 9,198,979	\$ 7,553,076
Capital assets	963,233	1,014,505
Long-term note receivable	983,613	983,613
Total assets	<u>11,145,825</u>	<u>9,551,194</u>
Deferred outflows of resources	<u>1,398,322</u>	<u>755,010</u>
Current liabilities	5,071,842	3,811,284
Long-term liabilities	3,221,890	1,699,993
Total liabilities	<u>8,293,732</u>	<u>5,511,277</u>
Deferred inflows of resources	<u>25,853</u>	<u>668,021</u>
Net investment in capital assets	(120,571)	(144,821)
Restricted net position	4,473,821	2,811,962
Unrestricted net position	<u>(128,688)</u>	<u>1,459,765</u>
Total net assets	<u>\$ 4,224,562</u>	<u>\$ 4,126,906</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Council exceeded liabilities and deferred inflows by \$4,224,562 as of June 30, 2023. The Council's net position increased by \$97,656 for the year ended June 30, 2023. A portion of the Council's net position, \$(120,571), reflects the Council's investment in capital assets, net of related debt. An additional portion of the Land of Sky Regional Council's net position, \$4,473,821 represents resources that are subject to external restrictions on how they may be used. \$3,490,208 is restricted by the State's Stabilization by State Statute. \$983,613 is restricted for the Council's revolving loan program. The remaining balance of \$(128,688) is unrestricted.

**LAND OF SKY REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

The following table shows the revenues and expenses for the Council for the current fiscal year.

Table 2		
Condensed Statement of Revenues, Expenses, and Changes in Net Position For the Fiscal Years Ended June 30, 2023 and 2022		
	Governmental Activities	
	6/30/2023	6/30/2022
Revenues:		
Program revenues:		
Charges for services	\$ 1,683,403	\$ 363,750
Operating grants and contributions	12,322,827	12,317,128
General revenues:		
Other revenues	477,692	397,488
Total revenues	<u>14,483,922</u>	<u>13,078,366</u>
Expenses:		
Governmental activities:		
General government	107,438	211,509
Public safety		
Economic and physical development	3,365,617	2,451,356
Human services	6,370,603	5,902,094
Transportation	2,034,202	1,923,117
Workforce development	2,463,006	1,937,890
Environmental protection	45,400	-
Total expenses	<u>14,386,266</u>	<u>12,425,966</u>
Change in net position	97,656	652,400
Beginning net position	4,126,906	3,474,506
Ending net position	<u>\$ 4,224,562</u>	<u>\$ 4,126,906</u>

Governmental activities increased the Council's net position by \$97,656. This reflects the Council's focus on utilizing all available resources for local economic development and the performance of services related to those contracts in cooperation with member governments in its region while also maintaining a healthy level of net position.

**LAND OF SKY REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

Financial Analysis of the Council's Funds

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

The General Fund is the operating fund of the Council. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$553,413 while total fund balance reached \$4,351,436, an increase of \$408,800 (10.4%) from the prior year. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represented 3.9% of total General Fund expenditures. Total fund balance represented 30.9% of total General Fund expenditures.

General Fund Budgetary Highlights

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

Capital Assets

The Council's investment in capital assets for its governmental activities as of June 30, 2023 totals \$963,233 (net of accumulated depreciation). These assets include office space and leasehold improvements, office and computer equipment and software.

The following is a summary of the capital assets, net of depreciation at year-end.

Table 3		
Summary of Capital Assets		
As of June 30, 2023 and 2022		
	Governmental Activities	
	6/30/2023	6/30/2022
Building and improvements	\$ 963,233	\$ 1,013,479
Equipment and furniture	-	1,026
Total	<u>\$ 963,233</u>	<u>\$ 1,014,505</u>

**LAND OF SKY REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

Debt Outstanding

As of June 30, 2023, the outstanding debt of the Council consisted of \$1,083,804 of a lease related to the Council building. Of total outstanding debt, \$78,688 is included in current liabilities. Additional information on the Council's capital lease can be found in Note 2 of the financial statements.

Following is a summary of the Council's outstanding debt at year end:

Table 4		
Outstanding Debt		
As of June 30, 2023 and 2022		
	<u>Governmental Activities</u>	
	<u>6/30/23</u>	<u>6/30/22</u>
Financing Lease		
Current portion	\$ 78,688	\$ 75,522
Long-term portion	<u>1,005,116</u>	<u>1,083,804</u>
Total	<u>\$ 1,083,804</u>	<u>\$ 1,159,326</u>

Economic Factors and Next Years Budgets and Rates

- The Council has experienced significant growth in the past three years with the budget increasing over 100% and full-time staff increasing by about 50%. While this growth has been positive for our local governments and the region, administrative capacity has not kept up with that growth. Management will continue to focus on efficiencies and cost controls to maximize the Council's return on investment, but we recognize that additional administrative capacity may be needed to support this operational growth.
- The closure of the Pactiv Evergreen paper mill in Haywood County will result in significant employment and economic loss in Western North Carolina estimated at almost \$933 million dollars annually. Despite this closure, the region's unemployment rate has continued to remain the lowest in North Carolina. There have been additional job losses in the region during 2023 which will also have a negative impact on the region. The Council has received \$500,000 in additional funding to support these dislocated workers as part of a \$6.5 million US Department of Labor award to the Southwestern Commission and Land of Sky Regional Council. Management anticipates the region's economy will remain strong enough to absorb these business closures but the future impact on the Council and our region is uncertain at this time.
- The Area Agency on Aging (AAA) represents the largest revenue and employment source for the Council. Funding to the AAA through the Older Americans Act is anticipated to remain stagnant even as the demand for aging services in the region continues to increase. The Council is expanding programs to include direct payment and managed care contracts to increase services available to older adults and their families. Expanding our focus on the social

**LAND OF SKY REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

determinants of health is key as we work to lower healthcare costs for public and private payors while providing an improved quality of life for older adults and their families.

- The Council has been the beneficiary of significant funding from federal and state sources that may not be recurring as many of these funding sources were authorized to respond to the pandemic. Management is aware of the uncertainty of future funding in these program areas and have taken appropriate action to prepare for the risk that these funds will no longer be available.
- The Council has focused on diversifying revenue sources with private funding which includes growing the Council's nonprofit arm "Friends of Land of Sky Regional Council". Significant foundation and private support have been critical for all departments of the Council. Management believes that these private funders will be more critical to the Council going forward.

Requests for Information

This report is intended to provide a summary of the financial condition of Land of Sky Regional Council. Questions or requests for additional information should be addressed to the Finance Director, Land of Sky Regional Council, 339 New Leicester Highway, Suite 140, Asheville, North Carolina, 28806. You may find additional information about the Council by visiting our website at www.landofsky.org.

LAND OF SKY REGIONAL COUNCIL
STATEMENT OF NET POSITION
June 30, 2023

Exhibit 1

	Primary Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 5,708,771
Accounts receivable	
Due from other governments - grants and contracts	3,056,750
Other	433,458
Total current assets	<u>9,198,979</u>
Non-current assets:	
Capital assets:	
Depreciable, net of depreciation	963,233
Long term note receivable	983,613
Total non-current assets	<u>1,946,846</u>
Total assets	<u>11,145,825</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,398,322</u>
LIABILITIES	
Accounts payable and accrued expenses	2,606,972
Unearned revenue	2,240,571
Long-term liabilities:	
Net pension liability	2,010,605
Due within one year	224,299
Due in more than one year	1,211,285
Total liabilities	<u>8,293,732</u>
DEFERRED INFLOWS OF RESOURCES	<u>25,853</u>
NET POSITION	
Net investment in capital assets	(120,571)
Restricted for:	
Stabilization by State statute	3,490,208
Revolving loan program	983,613
Unrestricted	<u>(128,688)</u>
Total net position	<u>\$ 4,224,562</u>

LAND OF SKY REGIONAL COUNCIL
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Exhibit 2

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Primary Governmental Activities
Primary government:				
Governmental Activities:				
General government	\$ 107,438	\$ 13,500	\$ -	\$ (93,938)
Economic and physical development	3,365,617	296,408	2,831,402	(237,807)
Human services	6,370,603	6,837	6,251,814	(111,952)
Transportation	2,034,202	1,366,658	764,658	97,114
Workforce development	2,463,006	-	2,429,584	(33,422)
Environmental protection	45,400	-	45,369	(31)
Total governmental activities	<u>\$ 14,386,266</u>	<u>\$ 1,683,403</u>	<u>\$ 12,322,827</u>	<u>(380,036)</u>
General revenues:				
Other income				395,206
Local governmental dues				53,803
Unrestricted investment earnings				28,683
Total general revenues				<u>477,692</u>
Change in net position				97,656
Net position-beginning				<u>4,126,906</u>
Net position-ending				<u>\$ 4,224,562</u>

LAND OF SKY REGIONAL COUNCIL
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2023

Exhibit 3

	<u>Major Fund</u> <u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 5,708,771
Accounts receivable:	
Grants and contracts	3,056,750
Other	433,458
Note receivable from revolving loan program	<u>983,613</u>
Total assets	<u>\$ 10,182,592</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	
Liabilities:	
Accounts payable and accrued liabilities	\$ 919,220
Due to sub-recipients and beneficiaries	1,687,752
Unearned revenue	<u>2,240,571</u>
Total liabilities	<u>4,847,543</u>
Deferred inflows of resources:	<u>983,613</u>
Fund balance:	
Restricted:	
Stabilization by State statute	3,490,208
Assigned:	
Subsequent year's expenditures	307,815
Unassigned	<u>553,413</u>
Total fund balance	<u>4,351,436</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 10,182,592</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balance, governmental fund:	\$ 4,351,436
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	963,233
Deferred outflows of resources related to pensions	1,398,322
The note receivable related to the revolving loan program in the government-wide statements does not provide current financial resources, and is therefore deferred in the fund statements.	983,613
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Obligations under capital leases	(1,083,804)
Compensated absences	(351,780)
Net pension liability	(2,010,605)
Deferred inflows of resources related to pensions	<u>(25,853)</u>
Net position of governmental activities	<u>\$ 4,224,562</u>

LAND OF SKY REGIONAL COUNCIL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
For the Year Ended June 30, 2023

Exhibit 4

	<u>Major Fund</u> <u>General Fund</u>
REVENUES	
U.S. Government	\$ 9,552,735
State of North Carolina	1,832,713
Local governmental awards and membership dues	1,971,452
Facilities and other income	214,360
Private grants and donations	771,204
In-kind	112,776
Interest income	28,683
Total revenues	<u>14,483,923</u>
EXPENDITURES	
Current:	
General government	58,840
Economic and physical development	3,278,372
Human services	6,298,510
Transportation	1,964,474
Workforce development	2,429,558
Environmental protection	45,369
Total expenditures	<u>14,075,123</u>
Net change in fund balance	408,800
Fund balance-beginning	<u>3,942,636</u>
Fund balance-ending	<u>\$ 4,351,436</u>

LAND OF SKY REGIONAL COUNCIL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
For the Year Ended June 30, 2023

Exhibit 4
(Continued)

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

Net changes in fund balance - governmental fund	\$ 408,800
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense in the current period.	(51,272)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities.	317,115
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	75,522
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Pension expense	(599,184)
Compensated absences	(53,325)
	<hr/>
Total changes in net position of governmental activities	<u>\$ 97,656</u>

LAND OF SKY REGIONAL COUNCIL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2023

Exhibit 5

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
U.S. Government	\$ 10,938,678	\$ 16,893,776	\$ 9,552,735	\$ (7,341,041)
State of North Carolina	2,405,398	2,520,088	1,832,713	(687,375)
Local governmental awards and membership dues	2,146,800	2,763,818	1,971,452	(792,366)
Facilities and other income	215,360	215,642	214,360	(1,282)
Private grants and donations	1,178,307	2,316,192	771,204	(1,544,988)
In-kind	325,226	325,226	112,776	(212,450)
Interest income	-	-	28,683	28,683
Total revenues	<u>17,209,769</u>	<u>25,034,742</u>	<u>14,483,923</u>	<u>(10,550,819)</u>
EXPENDITURES				
Current:				
General government	182,038	261,823	58,840	202,983
Economic and physical development	4,263,265	5,446,699	3,278,372	2,168,327
Human services	7,905,488	8,555,662	6,298,510	2,257,152
Workforce development	2,591,980	7,730,376	2,429,558	5,300,818
Transportation	2,288,180	2,816,795	1,964,474	852,321
Environmental Protection	-	391,377	45,369	346,008
Total expenditures	<u>17,230,951</u>	<u>25,202,732</u>	<u>14,075,123</u>	<u>11,127,609</u>
Revenues over expenditures	(21,182)	(167,990)	408,800	576,790
Appropriated fund balance	<u>21,182</u>	<u>167,990</u>	-	<u>(167,990)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	408,800	<u>\$ 408,800</u>
Fund balance, beginning of year			<u>3,942,636</u>	
Fund balance, end of year			<u>\$ 4,351,436</u>	

LAND OF SKY REGIONAL COUNCIL
STATEMENT OF FIDUCIARY NET POSITION - CUSTODIAL FUNDS
June 30, 2023

Exhibit 6

	<u>Custodial Funds</u>
ASSETS	
Cash	<u>\$ 53,257</u>
LIABILITIES	
Accounts payable	<u> -</u>
NET POSITION	
Assets held in trust for other purposes	<u><u>\$ 53,257</u></u>

LAND OF SKY REGIONAL COUNCIL
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CUSTODIAL FUNDS
For the Year Ended June 30, 2023

Exhibit 7

	<u>Custodial Funds</u>
ADDITIONS	
Donations	\$ 12,638
Deductions	
Economic Development Initiatives	<u>8,103</u>
Change in net position	4,535
Total net position - beginning	<u>48,722</u>
Total net position - ending	<u><u>\$ 53,257</u></u>

LAND OF SKY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

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:

General

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

Reporting Entity

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

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the Council. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. These statements present 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 are presented as general revenues.

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

LAND OF SKY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

The Council reports the following major governmental fund:

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

The Council reports two fiduciary funds. These funds are custodial in nature and do not involve the measurement of operating results. The following custodial funds account for assets the Council holds on behalf of others:

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

CarolinaWest. This fund accounts for the assets and activities of CarolinaWest, an unincorporated economic development association for which the Council acts as its fiscal agent.

Measurement Focus and Basis of Accounting

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

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

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

**LAND OF SKY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

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

Budgetary Data

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

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses or expenditures during the reporting period. Actual results could differ from those estimates.

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

Deposits and Investments

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

**LAND OF SKY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

State law [G.S. 159-30(c)] authorizes the Council to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high-quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Council's investments are reported at fair value. The NCCMT consists of a SEC-registered mutual fund (the Government Portfolio) and is authorized by G.S. 159-30(c)(8). The Government Portfolio, which invests in treasuries and government agencies, is a money market mutual fund (2a7) and maintains an AAAM rating from S&P and AAAMf by Moody's Investor Service. It is reported at fair value.

Cash and Cash Equivalents

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

Capital Assets

Capital assets are defined by the Council as assets with an initial, individual cost greater than or equal to \$5,000 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

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

	<u>Years</u>
Buildings	26
Building improvements	7 - 15
Vehicles	6
Furniture and equipment	3 - 7
Copiers	4 - 7
Computer equipment and software	4 - 5

Note Receivable

The note receivable of the Council relates to financing assistance for a multi-family residential real estate project in Greensboro, North Carolina. The note was funded through the Council's revolving loan program. No allowance for doubtful accounts has been recorded since Council feels the full balance is collectible. In addition, the amount of principal due on the note within one year is not significant.

LAND OF SKY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

Deferred outflows and inflows of resources

In addition to assets, the Statement of Net 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 will not be recognized as an expense or expenditure until then. The Council has one item that meets this criterion - pension related deferrals and contributions made to the plan subsequent to the measurement date. The Council also reports 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 will not be recognized as revenue until then. The Council has two items that meet this criterion - pension related deferrals in the Statement of Net Position and the note receivable related deferral in the General Fund.

Long-term obligations

In the government-wide financial statements, financing 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. For the Council's government-wide financial statements, an expense and a liability for compensated absences and the salary-related payments are recorded at the fiscal year end on a FIFO basis, assuming that employees are taking leave time as it is earned.

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

Net Position

Net position in the government-wide financial statements are classified as net investment in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or the 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 three 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:

**LAND OF SKY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

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

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

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. The Council approves the appropriation.

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

Revenues, Expenditures, and Expenses

Allocation of Indirect Costs

Indirect costs are allocated to the various grants at 38.53% of direct salaries and fringe benefits for the year ended June 30, 2023. The Economic Development Administration, the Council's oversight agency has reviewed and found no fault in the provisional rate. The Council must account for differences between estimated and actual indirect costs by either: a) making an adjustment to its future indirect cost rate for the difference carried forward or b) making adjustments to the costs charged to the various programs based on the actual charges. The actual indirect cost rate for the year ended June 30, 2023 is 34.32% of direct salaries and fringe.

Grant Revenue

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

In-Kind Contributions

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

LAND OF SKY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

Defined Benefit Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local 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.

NOTE 2 – DETAIL NOTES ON ALL FUNDS

Assets

Deposits

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

At June 30, 2023, the Council's deposits had a carrying amount of \$3,227,806 and a bank balance of \$3,334,256. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$3,084,256 in deposits was covered by collateral held under the pooling method.

Investments

At June 30, 2023, the Council had \$2,534,222 invested with the North Carolina Capital Management Trust's Term Portfolio which carried a credit rating of AAAM by Standard and Poor's and AAA-mf by Moody's Investor Service. As of June 30, 2023, the NCCMT Term Portfolio has a duration of .15 years. Because the NCCMT has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months. The Council has no policy for managing interest rate risk or credit risk.

LAND OF SKY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

Accounts Receivable

Receivables at the government-wide level consisted of the following at June 30, 2023:

	<u>General Fund</u>
Governmental activities:	
Due from other governments	\$ 3,056,750
Other	433,458
	<u>\$ 3,490,208</u>

Due from other governments consists of the following:

	<u>General Fund</u>
Governmental activities:	
Receivables under expenditure-driven federal and state grants	\$ 3,038,591
Technical assistance contracts with local governmental entities	18,159
	<u>18,159</u>
Total	<u>\$ 3,056,750</u>

Note receivable

The note receivable in the General Fund and in Governmental Activities consisted of the following at June 30, 2023:

	<u>Brownfields Assessment & Cleanup Cooperative Agreements</u>
Note receivable	\$ 983,613

The Council participates in a revolving loan program sponsored by the Environmental Protection Agency (EPA) seeking to clean sites identified under the Brownfields Program. The revolving loan program lends to qualified entities who then work with the EPA to bring the site into environmental standards. The loan bears interest at 1%. The balance of the loan receivable was \$983,613 as of June 30, 2023. No payments were made in 2023 and no interest was accrued as earned. The Council feels that the full amount of the note receivable is collectible. In addition, the Council feels their security interest in collateralized property is sufficient to ensure repayment in the event of non-payment.

LAND OF SKY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

	Beginning Balances	Increases	Retirements	Ending Balances
Governmental activities:				
Capital assets being depreciated:				
Buildings and improvements	\$ 2,141,648	\$ 32,459	\$ -	\$ 2,174,107
Equipment and furniture	271,454	-	10,671	260,783
Total capital assets being depreciated	<u>2,413,102</u>	<u>32,459</u>	<u>10,671</u>	<u>2,434,890</u>
Less accumulated depreciation for:				
Buildings and improvements	1,128,169	82,705	-	1,210,874
Equipment and furniture	270,428	1,026	10,671	260,783
Total accumulated depreciation	<u>1,398,597</u>	<u>83,731</u>	<u>10,671</u>	<u>1,471,657</u>
Total capital assets being depreciated, net	<u>\$ 1,014,505</u>			<u>\$ 963,233</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 13,079
Economic and physical development	23,478
Human services	19,400
Transportation	18,764
Workforce development	9,001
Environmental protection	<u>9</u>
Total	<u>\$ 83,731</u>

Liabilities

Pension Plan and Other Postemployment Obligations

a. Local Government Employees' Retirement System

Plan Description. The Council is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees

LAND OF SKY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

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

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 (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) 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. The Council's 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, 2023, was 12.14% of covered payroll, 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 \$317,115 for the year ended June 30, 2023.

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, 2023, the Council reported a liability of \$2,010,605 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability

LAND OF SKY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions. The Council's proportion of the net pension liability was based on a projection of the Council's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2022, and June 30, 2021 the Council's proportion was 0.036% and 0.029%, respectively.

For the year ended June 30, 2023, the Council recognized pension expense of (\$599,184). At June 30, 2023 the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 86,635	\$ 8,494
Changes of assumptions	200,613	-
Net difference between projected and actual earnings on pension plan investments	664,526	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	129,433	17,359
Board contributions subsequent to the measurement date	<u>317,115</u>	<u>-</u>
Total	<u>\$ 1,398,322</u>	<u>\$ 25,853</u>

\$317,115 reported as deferred outflows of resources related to pensions resulted from Council contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

LAND OF SKY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

Year ended June 30:		
2024	\$	325,608
2025		300,098
2026		113,055
2027		316,593
2028		-
Thereafter		-
	Total	<u>\$ 1,055,354</u>

Actuarial Assumptions. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% to 8.25%, including inflation and productivity factor
Investment rate of return	6.50%, 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, 2021 actuarial valuation were based on the experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurements.

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, 2022 are summarized in the following table:

LAND OF SKY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 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 2.50%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.50%. 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 liability calculated using the discount rate of 6.50%, as well as what the Council's proportionate share of the net pension asset or net pension liability would be if calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Current Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Board's proportionate share of the net pension liability (asset)	\$ 3,628,883	\$ 2,010,605	\$ 677,050

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

**LAND OF SKY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

b. Supplemental Retirement Income Plan

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

Funding policy. The Council contributes, at each payroll, four percent of each employee's salary. All amounts contributed are vested immediately. Also, employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2023 totaled \$180,914, which consisted of \$116,136 from the Council and \$64,778 from employees.

c. Health Care Savings Plan

Plan description. The Council periodically contributes to a health care savings plan for each full-time employee who has more than one year of service. This plan is a defined contribution plan administered by Nationwide Mutual Insurance Company. Eligible employees may access the funds in their account after termination of employment with the Council.

Funding policy. Annually, the Council determines the amount, if any, that will be contributed toward each eligible employee's account. For the year ended June 30, 2023, the Council contributed \$600 toward each full-time employee's account with more than 1 year of service. For employees that became eligible during the year, a prorated amount was contributed. In total the Council contributed \$22,250 to the plan during the year.

Other Employment Benefits

Death 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 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Council, the Council does not determine the number of eligible participants. The Council has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State.

LAND OF SKY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

Accounts Payable

Accounts payable at June 30, 2023, are as follows:

	Due to sub- recipients and beneficiaries	Due to vendors and accrued expenses
	<u> </u>	<u> </u>
General Fund	\$ 1,687,752	\$ 919,220

Unearned Revenues

The balance in unearned revenues at year-end is composed of the following elements:

	Unearned Revenues
	<u> </u>
Unearned grant revenues	\$ 2,240,571

Deferred Inflows of Resources

The balance of deferred inflows of resources at year end is as follows:

	Deferred Inflows of Resources
	<u> </u>
Governmental Fund - General Fund Note receivable	\$ 983,613
Governmental Activities Pension deferrals	\$ 25,853

Risk Management

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The above entity participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. These pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, police professional liability and public officials liability in excess of \$1,000,000;

LAND OF SKY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

property in excess of \$500,000 and \$1,000,000 up to statutory limits for workers' compensation for the 7/1/2022 - 7/1/2023 policy period.

The Council carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year, and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 159-29, the Council's employees that have access to \$100 or more at any given time of the Council's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$90,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

Long-Term Obligations

a. Financing Lease

In January of 2008, the Council entered into a lease-purchase agreement with Buncombe County for the purpose of acquiring the office space at 339 Leicester Crossing. During the year ended June 30, 2015, the Council returned a portion of the office space to the County, and the original agreement was amended with a debt balance representing the portion related to the remaining space, \$1,083,804. The new lease-purchase agreement requires semi-annual payments of \$61,429 through June 30, 2034 and one final payment of \$12,153 in December 2034.

At June 30, 2023, assets recorded under the financing leases were as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Office space	<u>\$ 2,124,459</u>	<u>\$ 1,164,437</u>	<u>\$ 960,022</u>

Amortization expense for the year for the financing lease is included in depreciation expense.

LAND OF SKY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

The future minimum payments of the financing lease as of June 30, 2023, are as follows:

Year Ending June 30,

2024	\$ 78,688
2025	81,988
2026	85,425
2027	89,007
2028	92,739
2029-2033	525,392
2034-2035	130,565
Total payments	<u>\$ 1,083,804</u>

b. Long-Term Obligation Activity

The following is a summary of changes in the Council's long-term obligations for the fiscal year ended June 30, 2023:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023	Current Portion
Governmental activities:					
Financing Lease	\$ 1,159,326	\$ -	\$ 75,522	\$ 1,083,804	\$ 78,688
Net pension liability	443,056	1,567,549	-	2,010,605	-
Compensated absences	298,455	301,778	248,453	351,780	145,611
Total	<u>\$ 1,900,837</u>	<u>\$ 1,869,327</u>	<u>\$ 323,975</u>	<u>\$ 3,446,189</u>	<u>\$ 224,299</u>

Compensated absences for governmental activities are liquidated by the general fund.

**LAND OF SKY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

Net Investment in Capital Assets

Net investment in capital assets is calculated as follows:

	<u>Governmental Activities</u>
Capital assets	\$ 963,233
Less related debt	<u>(1,083,804)</u>
Net investment in capital assets	<u><u>\$ (120,571)</u></u>

Fund Balance

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

Total fund balance - General Fund	\$ 4,351,436
Less:	
Stabilization by State statute	(3,490,208)
Subsequent years expenditures	<u>(307,815)</u>
Fund balance available for appropriation	<u><u>\$ 553,413</u></u>

**LAND OF SKY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

The General Fund's fund balance is calculated as follows:

Unrestricted cash and investments	\$ 5,708,771
Less:	
Liabilities	(2,606,972)
Subsequent years expenditures	(307,815)
Unearned revenue arising from cash receipts	<u>(2,240,571)</u>
Unassigned fund balance	<u>\$ 553,413</u>
Fund balance per General Fund balance sheet	\$ 4,351,436
Less appropriated fund balance in 2024 budget	(307,815)
Less unassigned fund balance	<u>(553,413)</u>
Fund balance restricted by State Statute	<u>\$ 3,490,208</u>

NOTE 3 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

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 moneys 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 moneys.

LAND OF SKY REGIONAL COUNCIL
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
*Last Ten Fiscal Years**

	2023	2022	2021	2020	2019
Council's proportion of the net pension liability (asset)	0.036%	0.029%	0.028%	0.033%	0.033%
Council's proportionate share of the net pension liability (asset)	\$ 2,010,605	\$ 443,056	\$ 1,007,349	\$ 895,469	\$ 771,248
Council's covered-employee payroll	\$ 2,749,001	\$ 2,239,549	\$ 2,088,047	\$ 2,199,923	\$ 1,986,738
Council's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	73.14%	19.78%	48.24%	40.70%	38.82%
Plan fiduciary net position as a percentage of the total pension liability	84.14%	95.51%	88.61%	91.63%	94.18%

	2018	2017	2016	2015	2014
Council's proportion of the net pension liability (asset)	0.033%	0.030%	0.028%	0.041%	0.041%
Council's proportionate share of the net pension liability (asset)	502926	\$ 643,917	\$ 127,189	\$ (223,858)	\$ 499,029
Council's covered-employee payroll	\$ 1,986,738	\$ 1,999,721	\$ 1,896,903	\$ 2,427,394	\$ 2,596,109
Council's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	25.31%	32.20%	6.71%	-9.22%	19.22%
Plan fiduciary net position as a percentage of the total pension liability	91.47%	98.09%	99.07%	102.64%	94.35%

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

This schedule is required supplementary information.

LAND OF SKY REGIONAL COUNCIL
SCHEDULE OF COUNCIL CONTRIBUTIONS
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 317,115	\$ 313,661	\$ 227,314	\$ 186,880	\$ 172,034
Contributions in relation to the contractually required contribution	317,115	313,661	227,314	186,880	172,034
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Council's covered-employee payroll	\$ 2,612,150	\$ 2,749,001	\$ 2,239,549	\$ 2,088,047	\$ 2,199,923
Contributions as a percentage of covered-employee payroll	12.14%	11.41%	10.15%	8.95%	7.82%

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 163,155	\$ 158,939	\$ 135,981	\$ 134,111	\$ 171,617
Contributions in relation to the contractually required contribution	163,155	158,939	135,981	134,111	171,617
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Council's covered-employee payroll	\$ 2,155,284	\$ 1,986,738	\$ 1,999,721	\$ 1,896,903	\$ 2,427,394
Contributions as a percentage of covered-employee payroll	7.57%	8.00%	6.80%	7.07%	7.07%

This schedule is required supplementary information.

**LAND OF SKY REGIONAL COUNCIL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2023**

Exhibit A-1

	Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES:			
U.S. Government	\$ 16,893,776	\$ 9,552,735	\$ (7,341,041)
State of North Carolina	2,520,088	1,832,713	(687,375)
Local governmental awards and membership dues	2,763,818	1,971,452	(792,366)
Facilities and other income	215,642	214,360	(1,282)
Private grants and donations	2,316,192	771,204	(1,544,988)
In-kind	325,226	112,776	(212,450)
Interest income	-	28,683	28,683
Total revenues	25,034,742	14,483,923	(10,550,819)
EXPENDITURES:			
General government			
Local FY	261,823	58,840	202,983
Economic and community development			
WRP- City of Durham		4,361	
WRP- NCDEQ-SEP 6/1/18		70,564	
DPPEA SWMTF WRP 7/15-6/18		44,470	
WRP-City of AVL Water 7/16-6/17		15,000	
WRP Private ND		11,496	
WRP - ECU Energy Assessments		3,601	
WRP - USDA/RUS Solid Waste		65,307	
WRP - USDA REAP REDA		25,917	
Town of Woodfin - GIS		1,380	
DHT - Hotspots Connectivity		569	
ARC - DIT MOA		45,990	
Regional Resiliency Analysis - DHT		20,285	
City of Asheville - Swannanoa River Rd Proj		2,457	
DHT COG Capacity Bldg		42,840	
BC - Covid-19 Connecting Communities		346,199	
NCARCOG Res		232,956	
ARC - Housing Assets		99,562	
NCARCOG Disaster & Recovery		101,445	
Southwestern Planning T/A		44,890	
Transylvania Co Contract T/A		5,376	
UNC Building Capacity for Home & Community		148,330	
DHT WINC Broadband/Tower Grant		94,641	
WGN		31,525	
Town of Marshall T/A		24,347	
EDA - 1/1/21-12/31/23		137,037	
Mars Hill Downtown Wifi Project		103	

**LAND OF SKY REGIONAL COUNCIL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2023**

**Exhibit A-1
(Continued)**

	Budget	Actual	Variance with Final Budget - Positive (Negative)
Mars Hill Water/Sewer Project		7,657	
BC CDBG-CV		10,000	
Mountain Biz Works		2,295	
Rosman Parks and Rec Master Plan		1,313	
Town of Andrews - T/A Zoning		1,694	
Madison Co CHC		9,039	
Hendersonville CDBG-NR		5,016	
Stormwater Management		10,641	
205j WNC Stormwater Partnership		19,589	
Town of Black Mtn GIS & GPS SVC		5,000	
Woodfin T/A		24,285	
319 Black Mountain		12,899	
ARC Power/DHT- Transitioning & Scaling		63,684	
ARP - Black Mountain		5,393	
ARC - T/A Comm. Dev. 10/1/21-9/30/22		16,788	
ARC - LDD - End 12/31/22		216,313	
ARC - LDD - End 12/31/23		3,695	
ARPA - Village of Flat Rock		5,429	
ARPA - Mars Hill		1,137	
Montreat/Bilt Forest Plng & Zoning		66,174	
Inspire ARC/DHT/MAHEC		489,081	
Vaya Transitions Program		29	
DHT Vaya Inspire		55,758	
Innovative Partners Grantwriting		27,500	
Accelerate Buncombe		77,189	
DOL Growth Opportunities		91,363	
Foreign Trade Zone		1,252	
DHT - IEI Digital Inclusion Project		9,303	
Health Opportunities - Operation		256,891	
Healthy Opportunities Pilot Program		641	
Clean Air Campaign ND		2,663	
CMAQ-2021-2022		33,897	
DOE -NETL Clean Cities 4/1/21-3/31/22		111,271	
REV, Recycling Education Vehicle ND		12,845	
Total economic and community development	5,446,699	3,278,372	2,168,327
Human services			
Money Follows the Person -Transition Coord. Svcs		193,198	
MIPPA - DAAS		31,305	
Aging - Planning		234,159	
Aging Funds P&A - State		48,262	

**LAND OF SKY REGIONAL COUNCIL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2023**

**Exhibit A-1
(Continued)**

	Budget	Actual	Variance with Final Budget - Positive (Negative)
Aging - Health Promotions		43,961	
Community Resource Connections		3,376	
ARPA Planning & Administration		35,429	
Aging - Services		930,285	
ARPA HCCBG		468,919	
Aging - Congregate		465,799	
Aging - Home Delivered Meals		793,898	
Aging - InHome Services		832,663	
Aging - Legal		165,845	
Supplement - 5		57,519	
Vaccine Outreach		56,814	
Senior Center Outreach & Gen Purpose		67,969	
Project Fan/Heat Relief		8,973	
Family Caregiver Support		297,941	
Project CARE Admin		121,687	
ARPA Family Caregiver Program		64,166	
Health Promotion Pilot - FY		52,917	
ARPA Health Promotion		16,065	
Regional Ombudsman		423,293	
Elder Abuse		6,563	
Bunc Co CAC Support		3,627	
Communtiy Inclusion Specialist		127,116	
Foster Granparent		315,385	
Foster Granparent - PHF		30,197	
Senior Companion		401,179	
Total human services	8,555,662	6,298,510	2,257,152
Workforce development			
MAWD - Administration		150,088	
WIA Special Activities		5,305	
WIA Education & Workforce Collaboration		230,078	
P20 Council Additional JMBE		7,435	
P20 Council DOL and Duke Energy		14,760	
MAWD Adult Services		710,697	
MAWD - Dislocated Worker Services		589,516	
MAWD - Youth Svcs(out of school)		393,233	
MAWD - Youth Svcs (In School)		77,695	
MAWD - Finish Line Grant-AB Tech		3,432	
MAWD - Finish Line Grant-Blue Ridge CC		1,000	
MAWD - NDWG Evergreen		5,203	

**LAND OF SKY REGIONAL COUNCIL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2023**

	Exhibit A-1 (Continued)		
	Budget	Actual	Variance with Final Budget - Positive (Negative)
MAWD - NDWG Admin-Grant 275 & 277		10,000	
MAWD - NDWG Program		31,238	
ARPA - Work Based Learning		12,600	
ARC - Early Education Workforce		187,278	
Total workforce development	<u>7,730,376</u>	<u>2,429,558</u>	<u>5,300,818</u>
Transportation			
Rural Planning Organization		132,969	
Mountain Mobility Admin		297,246	
RIDE-(5317) New Freedom		68,181	
Mountain Mobility - EDTAP		9,350	
Mountain Mobility Admin - RIDE		20,187	
French Broad River MPO		545,472	
FBR MPO Special Studies		123,253	
TDM Coordinator		104,692	
Transportation COVID Planning		95	
Buncombe Co NEMT Medical Transportation		663,029	
Total transportation	<u>2,816,795</u>	<u>1,964,474</u>	<u>852,321</u>
Environmental Protection			
WRP - EPA Solid Waste Management Food Waste		39,129	
WRP - EPA Source Reduction Grant		6,240	
Total Environmental Protection	<u>391,377</u>	<u>45,369</u>	<u>346,008</u>
Total expenditures	<u>25,202,732</u>	<u>14,075,123</u>	<u>11,127,609</u>
Revenues over expenditures	(167,990)	408,800	576,790
Appropriated fund balance	<u>167,990</u>	<u>-</u>	<u>(167,990)</u>
Net change in fund balance	<u>\$ -</u>	<u>408,800</u>	<u>\$ 408,800</u>
Fund balance, beginning of year:		<u>3,942,636</u>	
Fund balance, end of year		<u>\$ 4,351,436</u>	

LAND OF SKY REGIONAL COUNCIL
INDIRECT COST CENTER - COMPUTATION OF INDIRECT COST ALLOCATION RATE
GENERAL FUND
For the Year Ended June 30, 2023

Exhibit B-1

	Indirect Cost Center
Personnel Expenditures	
Salaries	\$ 585,678
Fringe benefits	238,184
Total personnel expenditures	<u>823,862</u>
Operating Expenditures	
Occupancy expenditures	230,645
Technology	147,140
Professional services	54,800
Leased equipment	50,684
Telephone and postage	31,964
Travel and training	52,869
Dues and subscriptions	29,948
Supplies	17,045
Copy and printing	6,052
Repairs and maintenance	11,904
Miscellaneous	8,381
Total operating expenditures	<u>641,432</u>
Total indirect costs	1,465,294
Carryforward adjustment from prior year	<u>(27,013)</u>
Adjusted total indirect cost	<u><u>\$ 1,438,281</u></u>
Total personnel expenditures	\$ 5,014,073
Less personal expenditures in indirect cost pool	<u>823,456</u>
Total personnel expenditures earning indirect costs	<u><u>\$ 4,190,617</u></u>
Allocation rate computation	
Indirect costs	\$ 1,438,280
Divided by personnel expenditures earning indirect costs	<u>4,190,617</u>
Allocation rate - as computed	<u><u>34.32%</u></u>
Indirect costs compared to provisional indirect amount	
Personnel expenditures earning indirect costs	\$ 4,190,617
Provisional rate	<u>38.53%</u>
Provisional indirect amount	1,614,645
Total indirect costs	<u>1,438,280</u>
Provisional indirect costs over actual indirect costs	<u><u>\$ 176,365</u></u>

**LAND OF SKY REGIONAL COUNCIL
 COMBINING STATEMENT OF FIDUCIARY NET POSITION -
 CUSTODIAL FUNDS
 June 30, 2023**

Exhibit C-1

	Custodial Funds		Total Custodial Funds
	CarolinaWest	WNC Highway Corridors	
Assets:			
Cash	\$ 49,170	\$ 4,087	\$ 53,257
Liabilities:			
Accounts Payable	-	-	-
Net Assets:			
Held in trust for other purposes	\$ 49,170	\$ 4,087	\$ 53,257

**LAND OF SKY REGIONAL COUNCIL
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
 CUSTODIAL FUNDS
 For the Year Ended June 30, 2023**

Exhibit D-1

	<u>Custodial Funds</u>		<u>Total Custodial Funds</u>
	<u>CarolinaWest</u>	<u>WNC Highway Corridors</u>	
Additions			
Donations	\$ 12,638	\$ -	\$ 12,638
Deductions			
Economic Development Initiatives	8,103	-	8,103
Change in net position	4,535	-	4,535
Total net position - beginning	44,635	4,087	48,722
Total net position - ending	<u>\$ 49,170</u>	<u>\$ 4,087</u>	<u>\$ 53,257</u>

COMPLIANCE SECTION



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

**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***

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, and each major fund, and the aggregate remaining fund information of the Land of Sky Regional Council, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Land of Sky Regional Council's basic financial statements and have issued our report thereon dated October 31, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Land of Sky Regional Council's internal control over financial reporting (internal control) as a basis for designing 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 over financial reporting. 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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Anderson Smith & Wike PLLC

October 31, 2023
Elon, North Carolina



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

**Report On Compliance for Each Major Federal Program and Report on
Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit
Implementation Act**

INDEPENDENT AUDITORS' REPORT

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Land of Sky Regional Council's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Land of Sky Regional Council's major federal programs for the year ended June 30, 2023. 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.

In our opinion, Land of Sky Regional Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of Land of Sky Regional Council and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Land of Sky Regional Council's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Land of Sky Regional Council's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Land of Sky Regional Council's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Land of Sky Regional Council's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Land of Sky Regional Council's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Land of Sky Regional Council's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Land of Sky Regional Council's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Anderson Smith & Wike PLLC

*October 31, 2023
Elon, North Carolina*



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

**Report On Compliance for Each Major State Program and Report on
Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit
Implementation Act**

INDEPENDENT AUDITORS' REPORT

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Land of Sky Regional Council's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Land of Sky Regional Council's major state programs for the year ended June 30, 2023. The Land of Sky Regional Council's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Land of Sky Regional Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2023.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards, the Uniform Guidance, and the State Single Audit Implementation Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of Land of Sky Regional Council and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the Land of Sky Regional Council's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of

laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Land of Sky Regional Council's State programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Land of Sky Regional Council's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Land of Sky Regional Council's compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Land of Sky Regional Council's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Land of Sky Regional Council's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of Land of Sky Regional Council's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be

material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Anderson Smith & Wike PLLC

*October 31, 2023
Elon, North Carolina*

**Land of Sky Regional Council
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___yes X_no
- Significant deficiency(s) identified that are not considered to be material weaknesses? ___yes X_none reported

Noncompliance material to financial statements noted? ___yes X_no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ___yes X_no
- Significant deficiency(s) identified that are not considered to be material weaknesses? ___yes X_none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ___yes X_no

Identification of major federal programs:

AL Numbers	Names of Federal Program or Cluster
93.044	Aging Cluster: Special Programs for the Aging – Title III – Part B Grants for Supportive Services and Senior Centers
93.045	Special Programs for the Aging – Title III – Part C Nutrition Services
93.053	Nutrition Services Incentive Program

**Land of Sky Regional Council
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

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

Auditee qualified as low-risk auditee? ___yes X_no

State Awards

Internal control over major State programs:

- Material weakness(es) identified? ___yes X_no

- Significant deficiency(s) identified that
are not considered to be material weaknesses? ___yes X_none reported

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

Any audit findings disclosed that are required to be reported
in accordance with the State Single Audit Implementation Act? ___yes X_no

Identification of major State programs:

Program Name

Aging Cluster – State Match

**Land of Sky Regional Council
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

Section II. Financial Statement Findings

Finding: None

Section III. Federal Award Findings and Questioned Costs

Finding: None

Section IV. State Award Findings and Questioned Costs

Finding: None

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**Corrective Action Plan
For the Year Ended June 30, 2023**

Section II. Financial Statement Findings

Finding: None Reported

Section III. Federal Award Findings and Questioned Costs

Finding: None Reported

Section IV. State Award Findings and Questioned Costs

Finding: None Reported

**Land of Sky Regional Council
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2023**

No findings reported in the prior year.

LAND OF SKY REGIONAL COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2023

Grantor/Pass-through Grantor/Program Title	Federal AL Number	State/ Pass-through Grantor's Number	Expenditures		Passed Through to Subrecipients
			Federal	State	
Federal Grants:					
<u>U.S. Department of Agriculture</u>					
Direct Programs:					
Rural Energy for America Program	10.868		\$ 25,917	\$ -	\$ -
Solid Waste Management Grants	10.762		65,307	-	-
Total U.S. Department of Agriculture			91,224	-	-
<u>U.S. Department of Commerce</u>					
Direct Program:					
Economic Development - Support for Planning Organizations	11.302		137,037	-	-
Passed through Town of Rossman: Rural Transformation Grant Fund	21.027		1,313	-	-
Total U.S. Department of Commerce			138,350	-	-
<u>U.S. Department of Energy</u>					
Direct Program:					
Conservation Research and Development	81.086		104,710	-	2,500
Passed through N.C. Department of Environmental Quality: Energy Efficiency and Renewable Energy	81.041	EP4964832	70,564	-	-
Total U.S. Department of Energy			175,274	-	-
<u>U.S. Department of Health and Human Services</u>					
Passed through the N.C. Department of Health & Human Services:					
Division of Aging and Adult Services					
Special Programs for the Aging					
Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect and Exploitation					
	93.041	21/22 AANCT3SS	6,198	365	-
Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals					
	93.042	21/22 AANCT3OM	71,120	4,184	-
Title III, Part D - Disease Prevention & Health Promotion Services					
	93.043	21/22 AANCT3PH	37,367	2,198	-
Total Special Programs for the Aging			114,685	6,747	-
Aging Cluster					
Passed through NC Dept. of Health and Human Services					
Division of Aging & Adult Services					
Special Programs for the Aging - Title III-B					
Title III, Part B - Grants for Supportive Services & Senior Centers					
	93.044	21/22 AANCT3SS	1,285,287	58,790	1,232,188
Access to COVID-19 Vaccines					
	93.044	2101NCVAC5	56,812	-	-
Title III, Part C1, Nutrition Services					
	93.045	21/22 AANCT3CM	362,675	21,334	384,009
Title III, Part C2, Nutrition Services					
	93.045	21/22 AANCT3HD	606,293	32,281	511,638
Nutrition Services Incentive Program (NSIP)					
	93.053	21/22 AANCSIP	200,990	-	153,365
COVID 19 - CARES Act & ARPA - Title III, Part C1 - Congregate Nutrition					
	93.045	21/22 AANCT3CM	98,903	17,454	116,358
COVID 19 - CARES Act & ARPA - Title III, Part C2 - Nutrition Services					
	93.045	21/22 AANCT3HD	143,906	25,395	93,860
COVID 19 - CARES Act & ARPA - Title III, Part B - Grants for Supportive Services and Senior Centers					
	93.044	21/22 AANCT3SS	198,411	36,347	15,010
Total Aging Cluster			2,953,277	191,601	2,506,428

LAND OF SKY REGIONAL COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2023

Grantor/Pass-through Grantor/Program Title	Federal AL Number	State/ Pass-through Grantor's Number	Expenditures		Passed Through to Subrecipients
			Federal	State	
Passed through the N.C. Department of Health and Human Services					
Division of Medical Assistance					
Title III, Part E, Family Caregiver Support Program	93.052	21/22 AANCT3FC	484,600	29,870	163,190
COVID 19 - CARES Act - Title III, Part E - Family Caregiver Support Program	93.052	21/22 AANCT3FC	48,124	16,041	64,165
Social Services Block Grant	93.667		168,180	1,483	-
Passed through Impact Health					
Healthy Opportunities Pilot	93.778		198,178	-	-
Passed through the N.C. Department of Health and Human Services					
Division of Health Benefits					
Transition Coordination Services	93.791	30-2020-046-DHB	196,612	-	3,376
Community Inclusion Specialist	93.791	30-2021-060-DHB	127,116	-	-
Passed through the N.C. Department of Insurance					
State Health Insurance Assistance Program Division					
Medicare Enrollment Assistance Program	93.071	1801NCMAA	31,305	-	31,305
Total U.S. Department of Health and Human Services			<u>4,322,077</u>	<u>245,742</u>	<u>2,768,464</u>
<u>U.S. Department of Labor</u>					
Direct Program:					
Workforce Opportunity for Rural Communities	17.280	MI38985LD0	14,760	-	-
Growth Opportunities	17.270	YF39529OV1	91,363	-	-
Passed through N.C. Department of Commerce					
Division of Workforce Solutions					
WIOA - Adult Program	17.258	309292	710,697	-	269,344
WIOA - Dislocated Worker Formula Grants	17.278	309292	589,516	-	259,010
WIOA - Youth Activities	17.259	309292	470,928	-	315,511
WIOA - Administrative Cost Pool Adult Program	17.258	309292	56,653	-	-
WIOA - Administrative Cost Pool Dislocated Worker	17.278	309292	51,496	-	-
WIOA - Administrative Cost Pool Youth Activities	17.259	309292	41,939	-	-
WIOA - Statewide Innovation, Work Based Learning and Statewide Finish Line	17.278	309292	4,432	-	-
WIOA NC Canton Paper Mill Closure Employment Recovery	17.277	23A60DW000006-01-00	5,203	-	-
WIOA - ARPA Funds	21.027	SLFRP0129	12,600	-	-
COVID 19 - WIOA - Dislocated Worker Grants	17.277	309292	41,238	-	-
Total Workforce Innovation and Opportunity Act Cluster			<u>1,984,702</u>	<u>-</u>	<u>843,865</u>
Total U.S. Department of Labor			<u>2,090,825</u>	<u>-</u>	<u>843,865</u>
<u>Appalachian Regional Commission</u>					
Direct Program:					
Appalachian Area Development	23.002	NC-706-B-C48, C49	98,623	-	-
WNC Recovery to Career	23.002	IS-20267	215,935	-	-
Early Childhood Educator Workforce	23.002	PW-20479-IM	85,783	-	85,783
Appalachian Research, Technical Assistance, and Demonstration Projects	23.002	NC-18709-C1	47,259	-	-
Transitioning and Upscaling Creative Sector Business	23.002	PW-20466-TA	44,174	-	-
West NGH Implementation - Rural Downtown Wifi & Job Centers	23.002	NC-19864	31,525	-	-
WNC Workforce Housing for Economic Development	23.002	NC-20575	49,781	-	-
Total Appalachian Regional Commission			<u>573,080</u>	<u>-</u>	<u>85,783</u>

LAND OF SKY REGIONAL COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2023

Grantor/Pass-through Grantor/Program Title	Federal AL Number	State/ Pass-through Grantor's Number	Expenditures		Passed Through to Subrecipients
			Federal	State	
U.S. Department of Transportation, Federal Highway Administration					
Total Highway Planning and Construction Cluster					
Passed through the N.C. Department of Transportation:					
Highway Planning Construction, State Planning & Research/PL 104(f) Funds	20.205-5	WBS 49599.1.1	436,377	-	-
Highway Planning Construction, State Planning & Research/PL 104(f) Funds	20.205-5	WBS 44539.1.4	156,319	-	109,867
Highway Planning Construction, State Planning & Research Rural Planning Organization Program	20.205-8	WBS 49600.4.8	106,375	-	-
CRRSAA Funds	20.205	WBS 44539.1.7	95	-	-
Congestion Mitigation and Air Quality	20.205	WBS 49866.1.1	26,982	-	-
Total Highway Planning and Construction Cluster			726,148	-	109,867
Enhanced Mobility of Seniors and Individuals With Disabilities					
Passed through City of Asheville	20.513	22-ED-932	374	-	-
Enhanced Mobility of Seniors and Individuals With Disabilities	20.513	NC-1057-2021-2	2,016	-	-
Total Federal Highway Administration			728,538	-	109,867
Environmental Protection Agency					
Direct Programs:					
Solid Waste Management Food Waste Source Reduction	66.808		39,129	-	-
	66.717		6,240	-	-
Passed through the N.C. Department of Environmental Quality					
Nonpoint Source Implementation Grants	66.460		8,859	-	-
Water Quality Management Planning	66.454	CW34472	24,285	-	-
205(j) Water Quality Management Planning	66.454	CW24476	19,589	-	-
Total Environmental Protection Agency.			98,102	-	-
Corporation for National Community and Service					
Direct Programs:					
Foster Grandparent/Senior Companion Cluster					
Foster Grandparent Program	94.011		284,637	-	-
Senior Companion Program	94.016		394,284	-	-
Total Foster Grandparent/Senior Companion Cluster			678,921	-	-
U.S. Department of the Treasury					
Passed through N.C. Pandemic Recovery Office to N.C. Association of Regional Councils of Government					
Coronavirus State and Local Fiscal Recovery Funds	21.027	SLFRP0129	232,956	-	-
Passed through Buncombe County					
Coronavirus State and Local Fiscal Recovery Funds to Asheville Chamber of Commerce	21.027	SLFRP0314	346,199	-	-
Coronavirus State and Local Fiscal Recovery Funds	21.027		77,189	-	-
Total U.S. Treasury			656,344	-	-
Total Federal Assistance			9,552,735	245,742	3,807,979
State Grants:					
N.C. Department of Environmental Quality					
Waste Reduction Partners - Solid Waste Reduction Grant			-	44,470	-

LAND OF SKY REGIONAL COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2023

Grantor/Pass-through <u>Grantor/Program Title</u>	Federal AL Number	State/ Pass-through Grantor's Number	<u>Expenditures</u>		Passed Through to Subrecipients
			Federal	State	
<u>N.C. Department of Health and Human Services</u>					
Division of Aging and Adult Services					
Access			-	283,311	283,311
Congregate Nutrition			-	29,464	28,062
Home Delivered Meals			-	111,810	55,133
In-Home Services			-	377,143	229,971
Ombudsman			-	60,195	-
Project Care			-	121,687	-
Senior Center General Purpose Funding			-	51,337	42,977
State AAA Administrative Cost			-	48,261	-
University of North Carolina at Chapel Hill					
Remain at Home - Accessibility Assessment Program		5125237	-	148,330	-
Total N.C. Department of Health and Human Services			-	1,231,538	639,454
<u>N.C. Department of Commerce</u>					
Appalachian Regional Commission - Local Government					
Technical Assistance			-	16,788	-
<u>N.C. Department of Transportation</u>					
Rideshare Program					
			-	52,106	-
<u>N.C. Office of State Budget and Management</u>					
NCARCOG Local Government Technical Assistance					
			-	101,445	-
<u>Vaya Health</u>					
Transitions to Community Living					
			-	29	-
SOR Peer Support Services					
			-	140,595	-
Total State Assistance					
			-	1,586,971	639,454
Total Federal and State Assistance					
			\$ 9,552,735	\$ 1,832,713	\$ 4,447,433

Notes to the Schedule of Expenditures of Federal and State Awards:

Note 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 under the programs of the federal government and the State of North Carolina for the year ended June 30, 2023. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Land of Sky Regional Council, it is not intended to and does not present the financial position, changes in net assets or cash flows of Land of Sky Regional Council.

Note 2. Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Note 3. Loans Outstanding

Land of Sky Regional Council had the following loan balance outstanding at June 30, 2023. 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.

<u>Grantor/Program Title</u>	Federal AL Number	State/ Pass-through Grantor's Number	<u>Amount</u>
			<u>Outstanding</u>
Brownfields Assessment & Cleanup			
Cooperative Agreements	66.818		<u>\$ 983,613</u>