

**LAND OF SKY REGIONAL
COUNCIL**

Financial Statements and
Compliance Report
For the Year Ended
June 30, 2025

LAND OF SKY REGIONAL COUNCIL

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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	Maureen Copelof	Mayor, Brevard
Vice-Chair	Matt Wechtel	Commisioner, Madison County
Secretary	Jason Chappell	Commisioner, Transylvania Co
Treasurer	Terri Wells	Commisioner, Buncombe Co
Past Chair	Patrick Fitzsimmons	Town of Weaverville
County Delegate	William Lapsley	Commission Chair, Henderson Co
Municipal Delegate	Barbara Volk	Mayor, City of Hendersonville
Minority Representative	Burton Hodges	Transylvania County, Transylvania
Aging Representative	Sherrye Perry	Madison County

Board of Delegates

<u>Jurisdiction</u>	<u>Primary Delegate</u>	<u>Alternate Delegate</u>
Buncombe County	Terri Wells	Drew Ball
Henderson County	William Lapsley	Christopher Todd
Madison County	Matt Wechtel	Michael Garrison
Madison County		Jeremy Hensley
Madison County		Bill Briggs
Madison County		Alan Wyatt
Transylvania County	Jason Chappell	Chase McKelvey
Asheville	Maggie Ullman	Antanette Mosley
Biltmore Forest	George Goosmann, III	Jonathan Kanipe
Black Mountain	Ryan Stone	Doug Hay
Brevard	Maureen Copelof	Gary Daniel
Flat Rock	Barbara Jeter	Pat Christie
Flat Rock		David Dethero
Fletcher	Preston Blakely	Mark Biberdorf
Hendersonville	Barbara Volk	Lyndsey Simpson
Hendersonville		John Connet
Hot Springs	Abigail Norton	
Laurel Park	Mark Morse	Deb Bridges

LAND OF SKY REGIONAL COUNCIL

ASHEVILLE, NORTH CAROLINA

EXECUTIVE COMMITTEE AND BOARD OF DELEGATES

As of the Financial Statement Release Date (Continued)

Board of Delegates (Continued)

Jurisdiction

Mars Hill
Marshall
Marshall
Mills River
Montreat
Rosman
Weaverville
Woodfin
Woodfin

Primary Delegate

John Chandler
Aaron Haynie

Jeff Moore
Kitty Fouche
Brian Shelton
Jennifer Young
Elisabeth Ervin

Alternate Delegate

Nathan Bennett
Aileen Payne
Billie Jean Haynie
Matthew McKirahan
Mason Blake
Missy Hendricks
Mark Endries
Sheri Powers
Shannon Tuch

At-Large Delegates

Jurisdiction

Buncombe County
Henderson County
Madison County
Transylvania County

Primary Delegate

Sandra Kilgore
Vacant
Vacant
Tamika Hunter

Economic Development Delegates

Jurisdiction

Buncombe County
Henderson County
Madison County
Transylvania County

Primary Delegate

Elizabeth Odderstol
Brittany Brady
Tom Herdelin
Burt Hodges

Program Representative Delegates

Program

Aging

Primary Delegate

Sherrye Perry



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, 2025, 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, 2025, 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.

Change in Accounting Principle

As described in Note 5 to the financial statements, the Council adopted the provisions of GASB Statement No. 101, Compensated Absences, as of July 1, 2024. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 *Government Auditing Standards* will always detect a material misstatement 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 *Government 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 responsive 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 43 and 44, 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, individual fund 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 January 22, 2026, 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

January 22, 2026
Elon, North Carolina
(336) 380-4123

**LAND OF SKY REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025**

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, 2025. 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

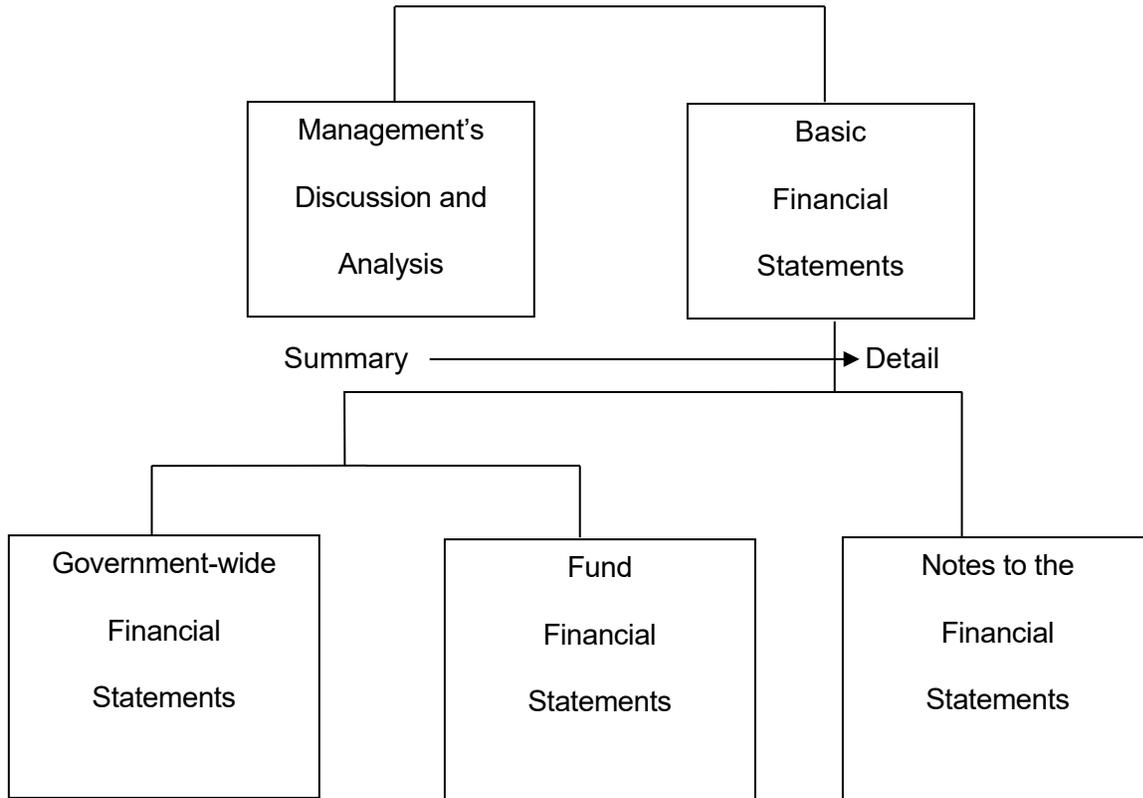
- As discussed in Note 5 to the financial statements, effective July 1, 2024, the Council implemented accounting and financial reporting requirements of GASB Statement 101, Compensated Absences. The statement required the Council to begin recording liabilities for employee sick leave balances that are more likely than not to be used. As a result of implementation of this statement, the Council's governmental activities net position, as previously reported at June 30, 2024, was reduced by \$710,344.
- As discussed in Note 5 to the financial statements, the Council reported a correction of error in the amount of \$502,240 to defer indirect costs charged to grants under the approved indirect cost plan that the Council had not incurred indirect cost expenditures for as of June 30, 2024, and therefore should not have been recognized as revenue.
- 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 \$2,330,406 (net position).
- The Council's total net position decreased by \$600,948, excluding adjustments.
- As of the close of the current fiscal year, the Council's governmental fund reported an ending fund balance of \$4,203,823, an increase of \$42,283, excluding adjustments, in comparison with the prior year. \$6,236,074 is restricted by state statute.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was (\$2,032,251).

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, 2025**

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, 2025**

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, 2025**

Financial Analysis of the Council as a Whole

Net position is an indicator of the fiscal health of the Council. Assets exceeded liabilities by \$2,330,406 as of June 30, 2025. A significant portion of net position is restricted for Stabilization by State Statute of \$6,236,074. \$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, 2025 and 2024		
	<u>Governmental Activities</u>	
	<u>6/30/2025</u>	<u>6/30/2024</u>
Current assets	\$ 12,590,198	\$ 10,979,065
Capital assets	1,310,448	907,216
Non-current assets	<u>1,096,358</u>	<u>983,613</u>
Total assets	<u>14,997,004</u>	<u>12,869,894</u>
Deferred outflows of resources	<u>1,773,126</u>	<u>1,642,971</u>
Current liabilities	8,282,463	6,589,359
Long-term liabilities	<u>5,934,800</u>	<u>3,772,994</u>
Total liabilities	<u>14,217,263</u>	<u>10,362,353</u>
Deferred inflows of resources	<u>222,461</u>	<u>6,574</u>
Net investment in capital assets	(129,163)	(97,900)
Restricted net position	7,219,687	5,546,228
Unrestricted net position	<u>(4,760,118)</u>	<u>(1,304,390)</u>
Total net assets	<u>\$ 2,330,406</u>	<u>\$ 4,143,938</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 \$2,330,406 as of June 30, 2025. The Council's net position decreased by \$600,948, excluding adjustments, for the year ended June 30, 2025. A portion of the Council's net position, \$(129,163), 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, \$7,219,687 represents resources that are subject to external restrictions on how they may be used. \$6,236,074 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 \$(4,760,118) is unrestricted.

**LAND OF SKY REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025**

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, 2025 and 2024		
	Governmental Activities	
	6/30/2025	6/30/2024
Revenues:		
Program revenues:		
Charges for services	\$ 1,481,126	\$ 1,775,591
Operating grants and contributions	19,912,210	15,797,118
Capital grants and contributions	614,773	-
General revenues:		
Other revenues	765,515	888,906
Total revenues	<u>22,773,624</u>	<u>18,461,615</u>
Expenses:		
Governmental activities:		
General government	155,636	212,321
Economic and physical development	6,641,944	4,780,797
Human services	6,849,044	6,708,991
Transportation	3,140,081	2,266,806
Workforce development	6,536,493	4,506,633
Environmental protection	51,374	66,691
Total expenses	<u>23,374,572</u>	<u>18,542,239</u>
Change in net position	<u>(600,948)</u>	<u>(80,624)</u>
Beginning net position, as previously reported	4,143,938	4,224,562
Change in accounting principle (Note 5)	(710,344)	-
Correction of error (Note 5)	(502,240)	-
Beginning net position, as adjusted	<u>2,931,354</u>	<u>4,224,562</u>
Ending net position	<u>\$ 2,330,406</u>	<u>\$ 4,143,938</u>

Governmental activities decreased the Council's net position by \$600,948. This reflects the Council's focus on utilizing all available resources for local economic development and the performance of

**LAND OF SKY REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025**

services related to those contracts in cooperation with member governments in its region while also maintaining a healthy level of net position.

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 (\$2,032,251) while total fund balance was \$4,203,823, an increase of \$42,283 (0.9%) 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 (8.9%) of total General Fund expenditures. Total fund balance represented 18.5% 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, 2025 totals \$1,310,448 (net of accumulated depreciation). These assets include office space and leasehold improvements, office and computer equipment and software. The Council added a right to use leased building during the current year.

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

**LAND OF SKY REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025**

Table 3		
Summary of Capital Assets		
As of June 30, 2025 and 2024		
	Governmental Activities	
	6/30/2025	6/30/2024
Building and improvements	\$ 796,713	\$ 879,702
Equipment and furniture	21,917	27,514
Right to use lease	491,818	-
Total	<u>\$ 1,310,448</u>	<u>\$ 907,216</u>

Debt Outstanding

As of June 30, 2025, the outstanding debt of the Council consisted of \$1,439,611 of an installment purchase related to the Council building, and an additional building right to use lease for workforce staff that began on July 1, 2024. Of the total outstanding debt, \$192,135 is included in current liabilities. Additional information on the Council's financing 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, 2025 and 2024		
	Governmental Activities	
	6/30/25	6/30/24
Installment purchase		
Current portion	\$ 85,425	\$ 81,988
Long-term portion	837,703	923,128
Total installment purchase	<u>923,128</u>	<u>1,005,116</u>
Right to use lease		
Current portion	\$ 106,710	\$ -
Long-term portion	409,773	-
Total right to use lease	<u>516,483</u>	<u>-</u>
Total outstanding debt	<u>\$ 1,439,611</u>	<u>\$ 1,005,116</u>

Economic Factors and Next Years Budgets and Rates

- Hurricane Helene swept across our region on September 27, 2024 and left a devastating impact. The most recent reports estimate \$60 billion in damages and mitigation needs across North Carolina that will require years of effort to restore.
- We have received multiple grants to assist with the recovery and mitigation efforts including ones through the U.S. Department of Labor, the U.S. Economic Development Administration, the Appalachian Regional Commission, the North Carolina Department of Commerce, the North Carolina Department of Environmental Quality, the North Carolina Association of Regional Councils of Governments, and the Blue Cross Blue Shield Foundation.
- Our elected officials and community leaders continue to seek support for funding for the recovery and mitigation efforts and we expect to receive additional grants over a number of years to assist with the recovery.
- The Council has also experienced rapid growth recently as we have focused on diversifying revenue through private grants and competitive government programs. The Governmental Fund expenditures have almost doubled and staffing increased by almost 70% since Fiscal Year 2020.
- The Council is also working on expanding its nonprofit arm "Friends of Land of Sky" to generate awareness and support for the Council's programs as well as to secure funding for programs only available to nonprofit organizations. Council Management believes continued private and competitive funding will be critical for the Council's future growth.

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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

LAND OF SKY REGIONAL COUNCIL
STATEMENT OF NET POSITION
June 30, 2025

Exhibit 1

	Primary Government Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 6,250,212
Accounts receivable	
Due from other governments - grants and contracts	5,947,768
Other	288,306
Current portion of lease receivable	103,912
Total current assets	<u>12,590,198</u>
Non-current assets:	
Lease receivable, less current portion	112,745
Capital assets:	
Right to use asset, net of amortization	491,818
Depreciable, net of depreciation	818,630
Long term note receivable	983,613
Total non-current assets	<u>2,406,806</u>
Total assets	<u>14,997,004</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,773,126</u>
LIABILITIES	
Accounts payable and accrued expenses	3,958,699
Unearned revenue	4,323,764
Long-term liabilities:	
Due within one year	
Obligations under installment purchase	85,425
Lease liability	106,710
Liability for compensated absences	244,897
Due in more than one year	
Obligations under installment purchase	837,703
Lease liability	409,773
Liability for compensated absences	966,589
Net pension liability	3,283,703
Total liabilities	<u>14,217,263</u>
DEFERRED INFLOWS OF RESOURCES	<u>222,461</u>
NET POSITION	
Net investment in capital assets	(129,163)
Restricted for:	
Stabilization by State statute	6,236,074
Revolving loan program	983,613
Unrestricted	(4,760,118)
Total net position	<u>\$ 2,330,406</u>

LAND OF SKY REGIONAL COUNCIL
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2025

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Primary Government
Primary government:					
Governmental Activities:					
General government	\$ 155,636	\$ 13,800	\$ 22,000	\$ -	\$ (119,836)
Economic and physical development	6,641,944	461,284	5,597,026	-	(583,634)
Human services	6,849,044	2,861	6,630,910	-	(215,273)
Transportation	3,140,081	881,047	1,756,757	-	(502,277)
Workforce development	6,536,493	122,134	5,857,329	614,773	57,743
Environmental protection	51,374	-	48,188	-	(3,186)
Total governmental activities	<u>\$ 23,374,572</u>	<u>\$ 1,481,126</u>	<u>\$ 19,912,210</u>	<u>\$ 614,773</u>	<u>(1,366,463)</u>
General revenues:					
Other income					430,501
Local governmental dues					179,661
Unrestricted investment earnings					155,353
Total general revenues					<u>765,515</u>
Change in net position					<u>(600,948)</u>
Net position-beginning					4,143,938
Change in accounting principle (Note 5)					(710,344)
Correction of error (Note 5)					(502,240)
Net position - beginning, as restated					<u>2,931,354</u>
Net position-ending					<u>\$ 2,330,406</u>

FUND FINANCIAL STATEMENTS

LAND OF SKY REGIONAL COUNCIL
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2025

Exhibit 3

	<u>Major Fund</u> <u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 6,250,212
Accounts receivable:	
Due from other governments	5,947,768
Other	288,306
Lease Receivable	216,657
Note receivable from revolving loan program	983,613
	<u>983,613</u>
Total assets	<u>\$ 13,686,556</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	
Liabilities:	
Accounts payable and accrued liabilities	\$ 2,957,144
Due to other governments	1,001,555
Unearned revenue	4,323,764
	<u>4,323,764</u>
Total liabilities	<u>8,282,463</u>
Deferred inflows of resources	<u>1,200,270</u>
Fund balance:	
Restricted:	
Stabilization by State statute	6,236,074
Unassigned	(2,032,251)
	<u>(2,032,251)</u>
Total fund balance	<u>4,203,823</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 13,686,556</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balance, governmental fund:	\$ 4,203,823
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	818,630
Right to use leased assets used in governmental activities are not in financial resources and therefore are not reported in the funds	491,818
Deferred outflows of resources related to pensions	1,773,126
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 installment purchase	(923,128)
Lease liability	(516,483)
Compensated absences	(1,211,486)
Net pension liability	(3,283,703)
Deferred inflows of resources related to pensions	(5,804)
	<u>(5,804)</u>
Net position of governmental activities	<u>\$ 2,330,406</u>

LAND OF SKY REGIONAL COUNCIL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
For the Year Ended June 30, 2025

Exhibit 4

	<u>Major Fund</u> <u>General Fund</u>
REVENUES	
U.S. Government	\$ 14,044,455
State of North Carolina	2,222,880
Local governmental awards and membership dues	1,627,633
Facilities and other income	315,159
Private grants and donations	3,350,359
In-kind	443,010
Interest income	155,353
Total revenues	<u>22,158,849</u>
EXPENDITURES	
Current:	
General government	152,642
Economic and physical development	6,230,668
Human services	6,631,673
Transportation	2,938,643
Workforce development	6,464,416
Environmental protection	48,188
Debt service - principal	180,278
Debt service - interest	84,831
Total expenditures	<u>22,731,339</u>
OTHER FINANCING SOURCES (USES)	
Lease liabilities issued	<u>614,773</u>
Net change in fund balance	<u>42,283</u>
Fund balance-beginning, as previously reported	4,663,780
Correction of an error (Note 5)	(502,240)
Fund balance-beginning, as adjusted	<u>4,161,540</u>
Fund balance-ending	<u>\$ 4,203,823</u>

LAND OF SKY REGIONAL COUNCIL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
For the Year Ended June 30, 2025

Exhibit 4
(Continued)

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

Net changes in fund balance - governmental fund	\$ 42,283
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay expense in the current period.	(88,586)
Governmental funds report right to use leased assets as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as amortization expense. This is the amount by which leased asset expenditures exceeded amortization in the current period.	491,818
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities.	408,122
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.	(434,495)
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	(912,791)
Compensated absences	(107,299)
	<hr/>
Total changes in net position of governmental activities	<u>\$ (600,948)</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, 2025

Exhibit 5

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
REVENUES				
U.S. Government	\$ 18,222,066	\$ 27,718,832	\$ 14,044,455	\$ (13,674,377)
State of North Carolina	3,019,942	8,875,658	2,222,880	(6,652,778)
Local governmental awards and membership dues	2,127,568	1,972,788	1,627,633	(345,155)
Facilities and other income	227,272	227,272	315,159	87,887
Private grants and donations	3,676,359	6,435,865	3,350,359	(3,085,506)
In-kind	732,763	840,147	443,010	(397,137)
Interest income	-	-	155,353	155,353
Total revenues	<u>28,005,970</u>	<u>46,070,562</u>	<u>22,158,849</u>	<u>(23,911,713)</u>
EXPENDITURES				
Current:				
General government	211,195	187,647	152,642	35,005
Economic and physical development	5,793,359	19,875,315	6,230,668	13,644,647
Human services	6,929,656	7,944,965	6,631,673	1,313,292
Workforce development	9,298,632	12,307,003	6,464,416	5,842,587
Transportation	5,292,800	4,987,320	2,938,643	2,048,677
Environmental protection	412,470	603,533	48,188	555,345
Debt service - principal	81,988	180,278	180,278	-
Debt service - interest	40,870	84,831	84,831	-
Total expenditures	<u>28,060,970</u>	<u>46,170,892</u>	<u>22,731,339</u>	<u>23,439,553</u>
Revenues over (under) expenditures	(55,000)	(100,330)	(572,490)	(472,160)
Other financing sources (uses):				
Lease liabilities issued	-	-	614,773	614,773
Revenues over (under) expenditures and other sources (uses)	(55,000)	(100,330)	42,283	142,613
Appropriated fund balance	<u>55,000</u>	<u>100,330</u>	<u>-</u>	<u>(100,330)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	42,283	<u>\$ 42,283</u>
Fund balance, beginning of year, as previously reported			4,663,780	
Correction of an error (Note 5)			<u>(502,240)</u>	
Fund balance-beginning, as adjusted			<u>4,161,540</u>	
Fund balance, end of year			<u>\$ 4,203,823</u>	

LAND OF SKY REGIONAL COUNCIL
STATEMENT OF FIDUCIARY NET POSITION - CUSTODIAL FUNDS
June 30, 2025

Exhibit 6

	<u>Custodial Funds</u>
ASSETS	
Cash	\$ 53,283
NET POSITION	
Assets held in trust for other purposes	<u>\$ 53,283</u>

LAND OF SKY REGIONAL COUNCIL
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CUSTODIAL FUNDS
For the Year Ended June 30, 2025

Exhibit 7

	<u>Custodial Funds</u>
ADDITIONS	
Donations	\$ 6,200
Deductions	
Economic Development Initiatives	<u> 3,131</u>
Change in net position	3,069
Total net position - beginning	<u> 50,214</u>
Total net position - ending	<u><u> \$ 53,283</u></u>

LAND OF SKY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

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, 2025

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, 2025

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, 2025**

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.

Lease Receivable

The Council is a lessor for building space shared with an outside agency. A lease is defined as a contract that conveys control for the right to use the Council's nonfinancial asset as specified in the contract for a period of time in an exchange transaction. At the commencement of the lease, the Council recognizes a lease receivable and deferred inflow of resources. The lease receivable is initially measured at the present value of lease payments expected to be received during the lease term. The Council has used estimated incremental borrowing rates as the discount rate for the lease.

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

**LAND OF SKY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025**

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.

Right to use assets

The Council has recorded right to use assets as a result of implementing GASB 87 and GASB 96. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease, or subscription liability plus any lease or subscription payments made prior to the lease or subscription term, less lease or subscription incentives, and plus ancillary charges necessary to place the lease or subscription into service. The right to use assets are amortized on a straight-line basis over the life of the related lease or subscription.

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 three items that meet this criterion - pension related deferrals in the Statement of Net Position, the note receivable related deferral in the General Fund, and the lease receivable related deferral in the General Fund and Statement of Net Position.

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.

Unearned Revenue

Unearned revenue in the General Fund is for programs for which funds have been received but not earned.

Compensated Absences

The Council recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example, paid in cash to the employee) during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – vacation and sick leave. The

LAND OF SKY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

Council follows the State's policy for vacation and sick leave. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements on a FIFO basis. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. An estimate has been made based on prior years' records of the current portion of compensated absences.

Vacation Leave - Employees may accumulate up to thirty (30) days of earned but unused vacation leave with such leave being fully vested when earned and eligible for payment at the employee's current pay rate upon separation from employment.

Sick Leave - 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. However, a liability for the estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences.

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:

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

Prepays – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid expenditures, which are not spendable resources.

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.

**LAND OF SKY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025**

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 33.12% of direct salaries and fringe benefits for the year ended June 30, 2025. 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, 2025 is 25.84% 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.

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.

**LAND OF SKY REGIONAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2025**

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, 2025, the Council's deposits had a carrying amount of \$1,551,386 and a bank balance of \$2,005,212. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the pooling method.

Investments

At June 30, 2025, the Council had \$4,752,109 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, 2025, 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.

Accounts Receivable

Receivables at the government-wide level consisted of the following at June 30, 2025:

	<u>General Fund</u>
Governmental activities:	
Due from other governments	\$ 5,947,768
Other	288,306
	<u>\$ 6,236,074</u>

LAND OF SKY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

Due from other governments consists of the following:

	<u>General Fund</u>
Governmental activities:	
Receivables under expenditure-driven federal and state grants	\$ 5,782,065
Technical assistance contracts with local governmental entities	<u>165,703</u>
Total	<u>\$ 5,947,768</u>

Lease Receivable

The Council is a lessor for a noncancellable lease. The Council recognizes a lease receivable and deferred inflow of resources in the financial statements.

At the commencement of a lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on the present value of the term of the lease.

The Council monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

The Council has entered into a lease agreement with a tenant as the lessor of a portion of the building at 48 Grove Street, Asheville. The terms of this agreement include fixed annual rental payments of \$122,328 for a term of three years.

Future minimum lessee payments due to the Council under non-cancellable lease agreements as of June 30, 2025, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 103,912	\$ 18,416
2027	<u>112,745</u>	<u>9,583</u>
	<u>\$ 216,657</u>	<u>\$ 27,999</u>

The Council is reporting a principal lease receivable of \$216,657 of which \$103,912 is due during fiscal year 2026. The remaining portion of \$112,745 is considered long-term. The Council received a payment of \$122,328 during the year ended June 30, 2025.

**LAND OF SKY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025**

Note receivable

The note receivable in the General Fund and in Governmental Activities consisted of the following at June 30, 2025:

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

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, 2025. No payments were made in 2025 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, 2025

Capital Assets

Capital asset activity for the year ended June 30, 2025, was as follows:

	Beginning Balances	Increases	Retirements	Ending Balances
Governmental activities:				
Capital assets being depreciated:				
Buildings and improvements	\$ 2,172,553	\$ -	\$ -	\$ 2,172,553
Equipment and furniture	204,980	-	-	204,980
Total capital assets being depreciated	<u>2,377,533</u>	<u>-</u>	<u>-</u>	<u>2,377,533</u>
Less accumulated depreciation for:				
Buildings and improvements	1,292,851	82,989	-	1,375,840
Equipment and furniture	177,466	5,597	-	183,063
Total accumulated depreciation	<u>1,470,317</u>	<u>88,586</u>	<u>-</u>	<u>1,558,903</u>
Total capital assets being depreciated, net	<u>907,216</u>			<u>818,630</u>
Capital assets being amortized:				
Right-to-use leased asset	-	614,773	-	614,773
Less accumulated amortization for:				
Right-to-use leased asset	-	122,955	-	122,955
Total capital assets being amortized, net	<u>-</u>			<u>491,818</u>
Governmental activity capital assets, net	<u>\$ 907,216</u>			<u>\$ 1,310,448</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 275
Economic and physical development	37,730
Human services	19,941
Transportation	18,479
Workforce development	11,871
Environmental protection	292
Total	<u>\$ 88,588</u>

LAND OF SKY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

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 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, 2025, was 13.64% 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 \$408,122 for the year ended June 30, 2025.

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

LAND OF SKY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

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, 2025, the Council reported a liability of \$3,283,703 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 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, 2025, and June 30, 2024 the Council's proportion was 0.049% and 0.040%, respectively.

For the year ended June 30, 2025, the Council recognized pension expense of \$912,791. At June 30, 2025 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	\$ 575,429	\$ 3,869
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	446,417	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	343,158	1,935
Board contributions subsequent to the measurement date	<u>408,122</u>	<u>-</u>
Total	<u>\$ 1,773,126</u>	<u>\$ 5,804</u>

\$408,122 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, 2026. 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, 2025

Year ended June 30:	
2025	\$ 465,792
2026	757,991
2027	185,894
2028	(50,477)
2029	-
Thereafter	-
Total	<u>\$ 1,359,200</u>

Actuarial Assumptions. The total pension liability in the December 31, 2023 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, 2023 actuarial valuation were based on the experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2023. 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, 2024 are summarized in the following table:

LAND OF SKY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	33.0%	2.4%
Global Equity	38.0%	6.9%
Real Estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Credit	7.0%	5.3%
Inflation Protection	6.0%	4.3%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2023 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>
Commission's proportionate share of the net pension liability (asset)	\$ 5,818,938	\$ 3,283,703	\$ 1,198,247

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, 2025**

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, 2025 totaled \$367,744, which consisted of \$180,251 from the Council and \$187,493 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, 2025, 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 \$33,997 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, 2025

Accounts Payable

Accounts payable at June 30, 2025, are as follows:

	<u>Due to sub- recipients and beneficiaries</u>	<u>Due to vendors and accrued expenses</u>
General Fund	\$ 1,001,555	\$ 2,957,144

Unearned Revenues

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

	<u>Unearned Revenues</u>
Unearned grant revenues	\$ 4,323,764

Deferred Inflows and Outflows of Resources

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

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Governmental Fund - General Fund		
Note receivable	\$ 983,613	\$ -
Lease receivable	216,657	-
	<u>\$ 1,200,270</u>	<u>\$ -</u>
Governmental Activities		
Pension deferrals	\$ 5,804	\$ 1,773,126
Lease receivable	216,657	-
	<u>\$ 222,461</u>	<u>\$ 1,773,126</u>

**LAND OF SKY REGIONAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2025**

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; property in excess of \$500,000 and \$1,000,000 up to statutory limits for workers' compensation for the 7/1/2024 - 7/1/2025 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 \$1,000,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

Long-Term Obligations

a. Installment Purchase Obligation

In January of 2008, the Council entered into an installment 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. The balance as of June 30, 2025 was \$923,128. The new installment purchase agreement requires semi-annual payments of \$61,429 through June 30, 2034 and one final payment of \$12,154 in December 2034.

At June 30, 2025, assets recorded under the installment purchase is as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Office space	<u>\$ 2,124,459</u>	<u>\$ 1,327,857</u>	<u>\$ 796,602</u>

LAND OF SKY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

The future minimum payments of the installment purchase as of June 30, 2025, is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 85,425	\$ 37,433
2027	89,007	33,851
2028	92,739	30,119
2029	96,628	26,230
2030	100,680	22,178
2031-2035	458,649	44,937
	<u>\$ 923,128</u>	<u>\$ 194,748</u>

b. Lease

The Council has entered into an agreement to lease a building at 48 Grove Street, Asheville. The lease agreement qualifies as an other than short-term lease under GASB 87 and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of the inception.

The agreement was executed on July 1, 2024, and requires 60 monthly payments ranging from \$11,854 to \$13,342. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 8.5%, which is the Council's estimated incremental borrowing rate at the date of adoption.

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2025 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 106,710	\$ 39,807
2027	120,713	30,200
2028	136,091	19,349
2029	152,969	7,134
	<u>\$ 516,483</u>	<u>\$ 96,490</u>

**LAND OF SKY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025**

c. 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, 2025:

	Balance July 1, 2024, as adjusted	Increases	Decreases	Balance June 30, 2025	Current Portion
Governmental activities:					
Installment purchase	\$ 1,005,116	\$ -	\$ 81,988	\$ 923,128	\$ 85,425
Right to use lease	-	614,773	98,290	516,483	106,710
Net pension liability	2,648,109	635,594	-	3,283,703	-
Compensated absences	1,104,187	107,299	-	1,211,486	244,897
Total	<u>\$ 4,757,412</u>	<u>\$ 1,357,666</u>	<u>\$ 180,278</u>	<u>\$ 5,934,800</u>	<u>\$ 437,032</u>

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

Net Investment in Capital Assets

Net investment in capital assets is calculated as follows:

Total governmental activities capital assets	\$ 1,310,448
Less:	
Installment purchase contract	923,128
Lease liability	516,483
Net investment in capital assets, governmental activities	<u>\$ (129,163)</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	\$ 4,203,823
Less:	
Stabilization by State statute	<u>(6,236,074)</u>
Fund balance available for appropriation	<u>\$ (2,032,251)</u>

**LAND OF SKY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025**

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

Unrestricted cash and investments	\$ 6,250,212
Less:	
Liabilities	(3,958,699)
Unearned revenue arising from cash receipts	<u>(4,323,764)</u>
Unassigned fund balance	<u>\$ (2,032,251)</u>
Fund balance per General Fund balance sheet	\$ 4,203,823
Less unassigned fund balance	<u>2,032,251</u>
Fund balance restricted by State Statute	<u>\$ 6,236,074</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.

NOTE 4 – SUBSEQUENT EVENT

Management has evaluated subsequent events through January 22, 2026, the date which the financial statements were available to be issued. Based on this evaluation, management is not aware of any events that occurred subsequent to year-end that would require recognition or disclosure in the accompanying financial statements.

NOTE 5 – ACCOUNTING CHANGES

Change in Accounting Principle

Effective July 1, 2024, the Council implemented accounting and financial reporting requirements of GASB Statement 101, Compensated Absences. The statement requires that governments recognize liabilities for sick leave that is attributable to services the employee has rendered, that accumulates and

LAND OF SKY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

is more likely than not to be used. See the table below for the effects on Council's net position as a result of the adoption of this statement.

Correction of error

During the fiscal year ended June 30, 2025 the Council discovered that deferred revenue should have been recorded for indirect costs charged to grants that did not yet have matching indirect cost expenditures, resulting in restatements of beginning net position and fund balance.

Adjustments to and Restatements of Beginning Balances

During the fiscal year ended June 30, 2025, implementation of GASB Statement 101, and the correction of error, resulted in restatements of beginning net position, and fund balance, as follows:

<u>Reporting Units Affected by Restatements of Beginning Balances</u>		
	<u>Government-Wide</u>	<u>Governmental Fund</u>
	<u>Governmental Activities</u>	<u>General Fund</u>
June 30, 2024 net position (fund balance), as previously reported	\$ 4,143,938	\$ 4,663,780
Change in accounting principle	(710,344)	-
Correction of error	<u>(502,240)</u>	<u>(502,240)</u>
June 30, 2024 net position (fund balance), as restated	<u>\$ 2,931,354</u>	<u>\$ 4,161,540</u>

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Proportionate Share of the Net Pension Liability
Local Government Employees' Retirement System

Schedule of Council Contributions
Local Government Employees' Retirement System

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Council's proportion of the net pension liability (asset)	0.049%	0.040%	0.036%	0.029%	0.028%
Council's proportionate share of the net pension liability (asset)	\$ 3,283,703	\$ 2,648,109	\$ 2,010,605	\$ 443,056	\$ 1,007,349
Council's covered-employee payroll	\$ 2,697,929	\$ 2,612,150	\$ 2,749,001	\$ 2,239,549	\$ 2,088,047
Council's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	121.71%	101.38%	73.14%	19.78%	48.24%
Plan fiduciary net position as a percentage of the total pension liability	83.30%	82.49%	84.14%	95.51%	88.61%

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Council's proportion of the net pension liability (asset)	0.033%	0.033%	0.033%	0.030%	0.028%
Council's proportionate share of the net pension liability (asset)	\$ 895,469	\$ 771,248	\$ 502,926	\$ 643,917	\$ 127,189
Council's covered-employee payroll	\$ 2,199,923	\$ 1,986,738	\$ 1,986,738	\$ 1,999,721	\$ 1,896,903
Council's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	40.70%	38.82%	25.31%	32.20%	6.71%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	99.07%

* 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>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contribution	\$ 408,122	\$ 347,763	\$ 317,115	\$ 313,661	\$ 227,314
Contributions in relation to the contractually required contribution	408,122	347,763	317,115	313,661	227,314
Contribution deficiency (excess)	<u>\$ -</u>				
Council's covered-employee payroll	\$ 2,992,097	\$ 2,697,929	\$ 2,612,150	\$ 2,749,001	\$ 2,239,549
Contributions as a percentage of covered-employee payroll	13.64%	12.89%	12.14%	11.41%	10.15%

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 186,880	\$ 172,034	\$ 163,155	\$ 158,939	\$ 135,981
Contributions in relation to the contractually required contribution	186,880	172,034	163,155	158,939	135,981
Contribution deficiency (excess)	<u>\$ -</u>				
Council's covered-employee payroll	\$ 2,088,047	\$ 2,199,923	\$ 2,155,284	\$ 1,986,738	\$ 1,999,721
Contributions as a percentage of covered-employee payroll	8.95%	7.82%	7.57%	8.00%	6.80%

This schedule is required supplementary information.

**INDIVIDUAL FUND BUDGETARY SCHEDULE AND OTHER
SCHEDULES**

**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, 2025**

Exhibit A-1

	Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES:			
U.S. Government	\$ 27,718,832	\$ 14,044,455	\$ (13,674,377)
State of North Carolina	8,875,658	2,222,880	(6,652,778)
Local governmental awards and membership dues	1,972,788	1,627,633	(345,155)
Facilities and other income	227,272	315,159	87,887
Private grants and donations	6,435,865	3,350,359	(3,085,506)
In-kind	840,147	443,010	(397,137)
Interest income	-	155,353	155,353
Total revenues	<u>46,070,562</u>	<u>22,158,849</u>	<u>(23,911,713)</u>
EXPENDITURES:			
General government			
Local FY	<u>187,647</u>	<u>152,642</u>	<u>35,005</u>
Economic and community development			
WRP- City of Durham		16,182	
WRP- NCDEQ-SEP 6/1/18		114,370	
DPPEA SWMTF WRP 7/15-6/18		59,289	
WRP Private ND		13,964	
WRP - ECU Energy Assessments		12,216	
WRP - USDA/RUS Solid Waste		66,555	
WRP-NCDEQ-PS		13,755	
WRP - USDA REAP REDA		54,112	
NCSU Smarter NC		4,995	
DHT COG Capacity Bldg		1,907	
NCARCOG Res		167,179	
Transylvania Co Contract T/A		8,207	
UNC Building Capacity for Home & Community		149,822	
Our State Our Home		3,096	
ECD Events		3,654	
HSC Project Management		14,811	
FEMA BRIC Resilience		113,351	
EDA Supplemental		9,931	
AACC CBF		14,964	
DHT - Housing Workforce Development		135,936	
ARC READY Housing		35,641	
Town of Marshall T/A		37,097	
Laurel Park T/A		33,349	
Flat Rock Code Audit		3,554	
Mars Hill North Main Small Area Plan		21,989	
Mars Hill Water/Sewer Project		2,262	
Mountain Biz Works		10,755	

**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, 2025**

		<i>Exhibit A-1 (Continued)</i>
	Budget	Actual
		Variance with Final Budget - Positive (Negative)
Rosman Parks and Rec Master Plan		15,282
Hendersonville Zoning T/A		6,055
Woodfin/Fletcher 205j		11,206
Lower Mudd Creek TA		9,344
AmeriCorps Project Conserve		2,264
Hendersonville CDBG-NR		6,365
Stormwater Management		23,209
ARP - Black Mountain		219
205j Water Retention Landscapes		8,756
Town of Fletcher GIS T/A - 7/1/19-6/30/20		244
Montreat/Bilt Forest Plng & Zoning		75,457
ARC - LDD - End 12/31/22		225,875
ARC - LDD - End 12/31/23		19,877
NCARCOG Helene Recovery		79,465
FEMA Admin Support		60,222
EDA Helene TA		29,609
EDA Planning 1/1/24 - 12/31/26		86,354
ARC Helene Recovery TA		36,360
Environmental Review - Fontana Dam		5,000
Laurel Park Comprehensive Plan		13,245
City of Asheville Consolidated Plan		69,500
NCLWF Norton Creek		4,261
CDBG - NR Hendersonville		1,830
Flat Rock Flood Service		7,099
Hot Springs Zoning -		511
ARC ARISE TA		18,941
ARC ARISE Biomass		6,072
Inspire ARC/DHT/MAHEC		121,537
Vaya Transitions Program		379,474
Rememberance Project		294,402
Cherokee Indian Hospital - Recovery to Careers		38,284
Inspire Vaya		10,283
Digital Champion Grant		179,136
General Broadband		73,075
ARC Growing Digital Opportunity Capacity		5,922
NCTNA Digital Health Navigator		18,940
Benton Broadband State Education Project		2,159
DHT Broadband and Digital Inclusion Capacity		29,034
DHT Regional Digital Opportunity Capacity		7,405
DHT Vaya Inspire		254,830
Accelerate Buncombe #2		17,495
DHT - Recovery Housing Project		6,575

**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, 2025**

**Exhibit A-1
 (Continued)**

	Budget	Actual	Variance with Final Budget - Positive (Negative)
DHT - Home Modification		142,716	
DHT - IEI Digital Inclusion Project		27,488	
DHT - Expanding Digital Opportunities		416,307	
NC Rural Center Broadband Collaboration		43,500	
Health Opportunities - Operation		1,411,253	
HEA OPP- Capital		25,326	
Impact Health Emergency Relief		38,986	
Black Mtn EDA Water/Sewer		1,143	
Clean Air Campaign ND		33	
Hualapai Tribe Technical Assistance		939	
CMAQ-2021-2022		69,922	
Equity EJI - EBCI		75,314	
ARC Creative Manufacturing		536,997	
DOE -NETL Clean Cities 4/1/21-3/31/22		56,329	
REV, Recycling Education Vehicle ND		299	
	<u>19,875,315</u>	<u>6,230,668</u>	<u>13,644,647</u>
Total economic and community development			
Human services			
Money Follows the Person -Transition Coord. Svcs		171,486	
MIPPA - DAAS		58,406	
Aging - Planning		237,848	
Aging Funds P&A - State		48,261	
Aging - Health Promotions		45,805	
ARPA Planning & Administration		162,837	
Aging - Services		872,482	
Senior Center Outreach & Gen Purpose		69,877	
Project Fan/Heat Relief		5,429	
ARPA HCCBG		231,487	
Aging - Congregate		352,550	
Aging - Home Delivered Meals		958,601	
Aging - InHome Services		936,768	
Aging - Legal		108,414	
Aging - Disaster Relief		13,706	
CARES - FCSP		12,000	
Family Caregiver Support		314,297	
Project CARE Admin		138,184	
ARPA Family Caregiver Program		93,073	
Health Promotion Pilot - FY		47,766	
ARPA Health Promotion		17,867	
Regional Ombudsman		394,240	
ARPA SSA LOC6 Ombudsman		18,975	
Ombudsman/Elder Abuse Event		1,475	

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 For the Year Ended June 30, 2025**

**Exhibit A-1
 (Continued)**

	Budget	Actual	Variance with Final Budget - Positive (Negative)
Elder Abuse		6,500	
SFRF Choosing Home Grant		132,687	
Digital Equity and Literacy		83,403	
Social Inclusion		57,660	
Veterans Directed Care		27,335	
Meals on Wheels Disaster Recovery Fund		2,405	
SCP Family Caregivers		128,576	
HCCBG Senior Companion		19,667	
Senior Companion (City of Asheville)		64,795	
Communtiy Inclusion Specialist		141,501	
Foster Granparent		289,223	
Senior Companion		366,087	
Total human services	7,944,965	6,631,673	1,313,292
Workforce development			
MAWD - Administration		154,138	
P20 Council DHT		55,610	
P20 Council JBME		291,972	
P20 Credentail Engine		953	
P20 Council DOL and Duke Energy		322,865	
P20 NC State Insititue for Emerging Issues		2,100	
YouthBuild		59,557	
DWS NCWorks Rent Reimbursement		614,773	
MAWD - Adult Services		438,230	
MAWD - Dislocated Worker Services		287,059	
MAWD - Youth Services (out of school)		868,821	
MAWD - Youth Services (In School)		109,286	
MAWD - NDWG Evergreen		341,958	
NDWG - Hurricane Helene Disaster Recovery		555,228	
ARPA - Work Based Learning		190,308	
ARPA - Rentry		106,822	
ARPA - Substance Abuse		173,869	
Youth Summer Employment Program		10,578	
ARC - Early Education Workforce		351,936	
DOL Growth Opportunities		1,528,353	
Total workforce development	12,307,003	6,464,416	5,842,587
Transportation			
Rural Planning Organization		153,000	
DOT CONCPT		120,130	
Mountain Mobility		297,246	

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, 2025

Exhibit A-1
(Continued)

	Budget	Actual	Variance with Final Budget - Positive (Negative)
RIDE-(5317) New Freedom		75,838	
Mountain Mobility - EDTAP		1,940	
Mountain Mobility Admin - RIDE		29,031	
French Broad River MPO		608,752	
FBR MPO Special Studies		261,365	
TDM Coordinator		104,454	
Safe Streets for All		352,000	
Safe Routes to School		127,094	
Safe and Accountable Transportation Options		9,100	
Transportation COVID Planning		320,132	
FHWA SPR Downtown Brevard		1,743	
Madison County Transit Grant Administration		8,498	
MPO Carryover Local Funds		789	
Buncombe Co NEMT Medical Transportation		467,531	
Total transportation	4,987,320	2,938,643	2,048,677
Environmental Protection			
NCSEA Clean Energy Disaster Relief		14,077	
WRP - EPA Source Reduction Grant		27,376	
SE Expansion - East TN Clean Fuel		6,735	
Total Environmental Protection	603,533	48,188	555,345
Debt service			
Principal payments		180,278	
Interest payments		84,831	
Total debt service	265,109	265,109	-
Total expenditures	46,170,892	22,731,339	23,439,553
Revenues over (under) expenditures	(100,330)	(572,490)	(472,160)
Other financing sources (uses):			
Lease liabilities issued	-	614,773	614,773
Revenues over (under) expenditures and other sources	(100,330)	42,283	142,613
Appropriated fund balance	100,330	-	(100,330)
Net change in fund balance	\$ -	42,283	\$ 42,283
Fund balance, beginning of year, as previously reported		4,663,780	
Correction of an error (Note 5)		(502,240)	
Fund balance, beginning of year, as adjusted		4,161,540	
Fund balance, end of year		\$ 4,203,823	

LAND OF SKY REGIONAL COUNCIL
INDIRECT COST CENTER - COMPUTATION OF INDIRECT COST ALLOCATION RATE
GENERAL FUND
For the Year Ended June 30, 2025

Exhibit B-1

	Indirect Cost Center
Personnel Expenditures	
Salaries	\$ 735,548
Fringe benefits	276,481
Total personnel expenditures	<u>1,012,029</u>
Operating Expenditures	
Occupancy expenditures	70,287
Technology	175,535
Professional services	172,929
Leased equipment	56,216
Telephone and postage	39,103
Travel and training	41,629
Dues and subscriptions	36,979
Supplies	45,400
Copy and printing	4,435
Insurance	41,202
Repairs and maintenance	28,976
Miscellaneous	13,064
Interest	40,886
Depreciation	88,586
Total operating expenditures	<u>855,227</u>
Total indirect costs	1,867,256
Carryforward adjustment from prior year	<u>(199,448)</u>
Adjusted total indirect cost	<u><u>\$ 1,667,808</u></u>
Total personnel expenditures	\$ 7,465,279
Less personal expenditures in indirect cost pool	<u>(1,012,029)</u>
Total personnel expenditures earning indirect costs	<u><u>\$ 6,453,250</u></u>
Allocation rate computation	
Indirect costs	\$ 1,667,808
Divided by personnel expenditures earning indirect costs	<u>6,453,250</u>
Allocation rate - as computed	<u><u>25.84%</u></u>
Indirect costs compared to provisional indirect amount	
Personnel expenditures earning indirect costs	\$ 6,453,250
Provisional rate	33.12%
Provisional indirect amount	<u>2,137,316</u>
Amounts not collected	<u>(37,147)</u>
Total Indirect allocated	2,100,169
Total indirect costs	<u>1,667,808</u>
Provisional indirect costs over actual indirect costs	<u><u>\$ 432,361</u></u>

**LAND OF SKY REGIONAL COUNCIL
 COMBINING STATEMENT OF FIDUCIARY NET POSITION -
 CUSTODIAL FUNDS
 June 30, 2025**

Exhibit C-1

	Custodial Funds		
	<u>CarolinaWest</u>	<u>WNC Highway Corridors</u>	<u>Total Custodial Funds</u>
Assets:			
Cash	\$ 49,342	\$ 3,941	\$ 53,283
Net Assets:			
Held in trust for other purposes	<u>\$ 49,342</u>	<u>\$ 3,941</u>	<u>\$ 53,283</u>

**LAND OF SKY REGIONAL COUNCIL
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
 CUSTODIAL FUNDS
 For the Year Ended June 30, 2025**

Exhibit D-1

	<u>Custodial Funds</u>		<u>Total Custodial Funds</u>
	<u>CarolinaWest</u>	<u>WNC Highway Corridors</u>	
Additions			
Donations	\$ 3,000	\$ 3,200	\$ 6,200
Deductions			
Economic Development Initiatives	2,045	1,086	3,131
Change in net position	955	2,114	3,069
Total net position - beginning	48,387	1,827	50,214
Total net position - ending	<u>\$ 49,342</u>	<u>\$ 3,941</u>	<u>\$ 53,283</u>

COMPLIANCE SECTION



**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, 2025, 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 January 22, 2026.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-01 that we consider to be a significant deficiency.

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.

Land of Sky Regional Council's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Land of Sky Regional Council's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Land of Sky Regional Council's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

*January 22, 2026
Elon, North Carolina*



**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, 2025. 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, 2025.

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

*January 22, 2026
Elon, North Carolina*



**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, 2025. 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, 2025.

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

*January 22, 2026
Elon, North Carolina*

**Land of Sky Regional Council
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025**

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 no
- Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported

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

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

Identification of major federal programs:

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 Inventive Program
20.205	Highway Planning and Construction Cluster
21.027	State Fiscal Recovery Funds

**Land of Sky Regional Council
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025**

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

Auditee qualified as low-risk auditee? X_yes ___no

State Awards

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

HCCBG Family Caregiver Support
HCCBG In-Home Services
HCCBG Access

Dollar threshold used to distinguish between Major State Programs \$ 500,000

Auditee qualified as low-risk auditee? X_yes ___no

**Land of Sky Regional Council
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025**

Section II. Financial Statement Findings

Finding 2025-01

SIGNIFICANT DEFICIENCY

Indirect Cost Liability

Criteria: As of June 30, 2024, the Council was on a fixed with carryforward indirect cost plan. Under the fixed with carryforward plan, any indirect cost charged to grants in excess of allowable indirect cost expenditures results in a reduced indirect cost rate in future years to ensure over time indirect costs charged to grants do not exceed actual indirect cost expenditures. The fixed rate should be charged to grants regardless of actual indirect cost expenditures, and any excess indirect costs charged over actual expenditures should be recorded as a liability for future expenditures.

Condition: The Council appropriately collected \$502,240 more indirect costs than the Council had actual allowable indirect cost expenditures as of June 30, 2024, however this amount was not recorded as a liability, and has resulted in a correction of an error.

Effect: The liability for indirect cost future rate adjustments was understated, and available fund balance was overstated, potentially impacting financial decisions of the Council.

Cause: There was significant growth at the Council causing a large discrepancy between the rate charged across all grants and allowable indirect cost expenditures. There was an oversight by management in recording the excess as a liability.

Identification of a repeat finding: This is not a repeat finding from the immediate previous audit.

Recommendation: Management should closely review the general ledger to ensure all liabilities are properly recorded.

Management Response: The Council agrees with this finding and recommendation.

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, 2025**

Section II. Financial Statement Findings

Finding 2025-01

Name of Contact Person: Mike Blount, Finance Officer

Corrective Action Plan: Management will ensure any indirect cost liabilities are properly recorded on the general ledger.

Proposed Completion Date: As soon as possible.

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, 2025**

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, 2025

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		\$ 54,111	\$ -	\$ 2,867
Solid Waste Management Grants	10.762		66,555	-	3,242
Total U.S. Department of Agriculture			120,666	-	6,109
<u>U.S. Department of Commerce</u>					
Direct Program:					
Economic Development - Support for Planning Organizations	11.302		72,786	-	-
Passed through Town of Mars Hill: Rural Transformation Grant Fund	21.027		21,989	-	-
Passed through Town of Rosman: Rural Transformation Grant Fund	21.027		15,282	-	-
Total U.S. Department of Commerce			110,058	-	-
<u>U.S. Department of Energy</u>					
Direct Program:					
Conservation Research and Development	81.086		56,329	-	-
Passed through N.C. Department of Environmental Quality:					
Energy Efficiency and Renewable Energy	81.041	EP4964832	114,370	-	9,049
Manufacturing and Energy Supply Chain Demonstrations	81.253	PAM-P25-000111-SA01	4,995	-	1,052
Total U.S. Department of Energy			175,694	-	10,101
<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	24/25 AANCT3SS	6,139	-	-
Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals					
	93.042	24/25 AANCT3OM	330,447	-	-
COVID 19 - CARES Act & ARPA - Title VII - Ombudsman					
	93.042	24/25 AANCT3CM	18,975	-	-
Title III, Part D - Disease Prevention & Health Promotion Services					
	93.043	24/25 AANCT3PH	38,934	-	5,782
Total Special Programs for the Aging			394,495	-	5,782
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	24/25 AANCT3SS	1,333,882	-	979,867
Title III, Part C1, Nutrition Services					
	93.045	24/25 AANCT3CM	300,923	-	300,923
Title III, Part C2, Nutrition Services					
	93.045	24/25 AANCT3HD	764,701	-	764,701
Nutrition Services Incentive Program (NSIP)					
	93.053	24/25 AANCTNSIP	115,695	-	115,695
COVID 19 - CARES Act & ARPA - Title III, Part B - Grants for Supportive Services and Senior Centers					
	93.044	24/25 AANCT3SS	377,468	-	94,949
Total Aging Cluster			2,892,669	-	2,256,135
Passed through the N.C. Department of Health and Human Services					
Title III, Part E, Family Caregiver Support Program					
	93.052	24/25 AANCT3FC	294,693	-	-
COVID 19 - CARES Act - Title III, Part E - Family Caregiver Support Program					
	93.052	24/25 AANCT3FC	69,805	-	-
Passed through Impact Health					
Healthy Opportunities Pilot					
	93.778		176,568	-	-

LAND OF SKY REGIONAL COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2025

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 Health Benefits					
Transition Coordination Services	93.791	30-2020-046-DHB	171,486	-	-
Community Inclusion Specialist	93.791	30-2021-060-DHB	141,501	-	-
Passed through the N.C. Department of Insurance					
State Health Insurance Assistance Program Division					
Medicare Enrollment Assistance Program	93.071	1801NCMIAA	58,406	-	58,406
Total U.S. Department of Health and Human Services					
			4,199,623	-	2,320,323
<u>U.S. Department of Labor</u>					
Direct Program:					
Workforce Opportunity for Rural Communities	17.280	MI38985LD0	301,448	-	-
Growth Opportunities	17.270	YF39529OV1	1,528,353	-	812,168
YouthBuild	17.274	25A60YB000151	59,557	-	-
Passed through N.C. Department of Commerce					
Division of Workforce Solutions					
WIOA - Adult Program	17.258	2000066504	446,629	-	-
WIOA - Dislocated Worker Formula Grants	17.278	2000066504	291,319	-	12,348
WIOA - Youth Activities	17.259	2000066504	983,711	-	-
WIOA - Administrative Cost Pool Adult Program	17.258	2000066504	72,121	-	-
WIOA - Administrative Cost Pool Dislocated Worker	17.278	2000066504	61,967	-	-
WIOA - Administrative Cost Pool Youth Activities	17.259	2000066504	20,050	-	-
WIOA - NC Canton Paper Mill Closure Employment Recovery	17.277	23A60DW000006-01-00	341,958	-	70,631
WIOA - Hurricane Helene Dislocated Worker Grant	17.277	25A60DW000038	555,228	-	-
WIOA - ARPA Funds	21.027	SLFRP0129	470,999	-	-
Total Workforce Innovation and Opportunity Act Cluster					
			3,243,982	-	82,980
Total U.S. Department of Labor					
			5,133,340	-	895,148
<u>Appalachian Regional Commission</u>					
Direct Program:					
Appalachian Area Development	23.002	NC-706-B-C48, C49	118,881	-	-
Early Childhood Educator Workforce	23.002	PW-20479-IM	35,446	-	-
READY Capacity for Workforce Readiness	23.002	CC-21227-LDD-23	35,641	-	-
Upscaling the Creative Manufacturing Sector in WNC	23.002	PW-21471-IM	161,632	-	-
Southern Appalachian Forest Products Marketing	23.002	MU-22108-25	6,072	-	-
ARISE Initiative Consolidated Technical Assistance	23.002	MU-22011-24	18,941	-	-
Regional Disaster Recovery Assistance	23.002	NC-22103-302-25	36,360	-	-
INSPIRE Treatment Court Support Systems	23.002	IS-21808-2024	254,830	-	-
Growing Digital Opportunity Capacity	23.002	NC-21876-2025	5,922	-	-
Total Appalachian Regional Commission					
			673,725	-	-
<u>U.S. Department of Transportation, Federal Highway Administration</u>					
Direct Program:					
Safe Streets for All Action Plan	20.939	693JJ32340185	281,600	-	-
Total Highway Planning and Construction Cluster					
Passed through the N.C. Department of Transportation:					
Research/PL 104(f) Funds	20.205-5	WBS 49599.1.1	494,281	-	-
Highway Planning Construction, State Planning & Research/PL 104(f) Funds	20.205-5	WBS 44539.1.4	291,018	-	-
Highway Planning Construction, State Planning & Research Rural Planning Organization Program	20.205-8	WBS 49600.4.8	137,700	-	-
CRRSAA Funds	20.205	WBS 44539.1.7	320,132	-	-
Safe Routes to Schools Non-Infrastructure Grant Program	20.205	WBS 48778.4.25	127,094	-	-
Safe and Accountable Transportation Options	20.205	WBS 50902.1.1	9,100	-	-
FHWA Downtown Brevard Circulation Study	20.205	WBS# 51402.4.8	1,568	-	-
Congestion Mitigation and Air Quality	20.205	WBS 49866.1.1	55,938	-	-
Total Highway Planning and Construction Cluster					
			1,436,831	-	-
Passed through City of Asheville					
Enhanced Mobility of Seniors and Individuals With Disabilities					
	20.513	NC-1057-2021-2	64,795	-	40,738
Total Federal Highway Administration					
			1,783,226	-	40,738

LAND OF SKY REGIONAL COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2025

Grantor/Pass-through Grantor/Program Title	Federal AL Number	State/ Pass-through Grantor's Number	Expenditures		Passed Through to Subrecipients
			Federal	State	
<u>Environmental Protection Agency</u>					
Direct Programs:					
Source Reduction	66.717		27,376	-	2,282
Passed through the N.C. Department of Environmental Quality					
Pollution Prevention Grants Program	66.708	CW47941	13,755	-	1,114
Water Quality Management Planning	66.454	CW34472	7,856	-	-
205(j) FBRP Love Your Watershed	66.454	100653-000	6,055	-	-
Total Environmental Protection Agency.			55,042	-	3,396
<u>Corporation for National and Community Service</u>					
Direct Programs:					
Basic Innovative Programs	94.012		294,402	-	-
Foster Grandparent/Senior Companion Cluster					
Foster Grandparent Program	94.011		281,015	-	118,981
Senior Companion Program	94.016		462,857	-	220,646
Total Foster Grandparent/Senior Companion Cluster			743,872	-	339,626
Total Corporation for National and Community Service			1,038,274	-	339,626
<u>U.S. Department of the Treasury</u>					
Passed through N.C. Department of Health and Human Services					
Division of Aging and Adult Services					
SFRF Housing and Home Improvement	21.027		132,687	-	102,808
SFRF Digital Navigation Program	21.027		68,359	-	-
SFRF Social Isolation	21.027	00048902	57,660	-	18,263
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	167,179	-	-
Passed through N.C. Department of Information Technology to North Carolina Telehealth Network					
Coronavirus State and Local Fiscal Recovery Funds to Land of Sky Regional Council	21.027	ODEL-77-NCTNA	18,940	-	-
Coronavirus State and Local Fiscal Recovery Funds	21.027	ODEL-64-LSRC	179,136	-	-
Passed through Buncombe County to Asheville Chamber of Commerce					
Coronavirus State and Local Fiscal Recovery Funds	21.027		17,495	-	-
Total U.S. Treasury			641,456	-	121,071
<u>U.S. Department of Homeland Security</u>					
Passed through Buncombe County					
BRIC: Building Resilient Infrastructure and Communities	97.047		113,351	-	-
Total U.S. Department of Homeland Security			113,351	-	-
Total Federal Assistance			14,044,455	-	3,736,512
State Grants:					
<u>N.C. Department of Environmental Quality</u>					
Waste Reduction Partners - Solid Waste Reduction Grant			-	59,289	3,508
<u>N.C. Department of Health and Human Services</u>					
Division of Aging and Adult Services					
Access			-	116,091	116,091
Congregate Nutrition			-	17,907	17,907
Home Delivered Meals			-	111,925	111,925
In-Home Services			-	780,866	780,866
Legal Services			-	8,499	8,499
Elder Abuse Prevention			-	361	-
Ombudsman			-	19,438	674

LAND OF SKY REGIONAL COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2025

Grantor/Pass-through Grantor/Program Title	Federal AL Number	State/ Pass-through Grantor's Number	Expenditures		Passed Through to Subrecipients
			Federal	State	
Division of Aging and Adult Services (Continued)					
Family Caregiver Support			-	42,872	-
Project Care			-	138,184	-
Senior Center General Purpose Funding			-	52,405	52,405
Health Promotions			-	2,290	2,290
Digital Equity and Literacy			-	15,044	-
State AAA Administrative Cost			-	60,552	6,175
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University of North Carolina at Chapel Hill					
Remain at Home - Accessibility Assessment Program		5125237	-	149,822	-
Carolina Across 100 - Our State Our Homes			-	3,096	-
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Total N.C. Department of Health and Human Services			-	1,519,352	1,096,832
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<u>N.C. Department of Transportation</u>					
Rideshare Program			-	52,227	-
Coordination/Consolidated for Regional Service Program			-	120,130	-
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<u>N.C. Office of State Budget and Management</u>					
NCARCOG Local Government Technical Assistance			-	79,465	-
<hr/>					
<u>North Carolina Land and Water Fund</u>					
City of Brevard					
Norton Creek Stream Restoration			-	4,261	-
<hr/>					
<u>North Carolina State University</u>					
Institute for Emerging Issues			-	2,100	-
<hr/>					
<u>Vaya Health</u>					
Transitions to Community Living			-	379,474	-
SOR Peer Support Services			-	6,583	-
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Total State Assistance			-	2,222,880	1,100,340
<hr/>					
Total Federal and State Assistance			\$ 14,044,455	\$ 2,222,880	\$ 4,836,852

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, 2025. 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, 2025. 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.

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