



## Fiscal Year 2011-2012 Annual Report

As required by General Statute 1588.5

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## **FY 2011-2012 ACTIVITIES, OBJECTIVES AND ACCOMPLISHMENTS**

With a mission that emphasizes collaboration and regional strategies, North Carolina's Eastern Region's main objective is to focus on a diversified and multi-pronged approach to marketing and capacity building to support economic growth and wealth creation in the thirteen counties.

The Region has built on key industry clusters that include Advanced Manufacturing, Defense/Aerospace/Logistics, Life Sciences, Marine Trades, Tourism/Retiree Attraction, and Value-Added Agriculture.

Utilizing the grant programs provided by a number of state, Federal and non-profit agencies, the Region has expanded its efforts to:

- 1) build a workforce for the industry of today and future generations through its STEM initiative with Golden LEAF, Inc., The Rural Center's WorkReady Communities program, and its Workforce Innovation Network promoting company skills profiles and Career Readiness Certification through the eleven Community Colleges and three Workforce Development Boards in the region
- 2) provide Feed and Fuel for the Force (FF4F) through partnerships with The Biofuels Center of North Carolina, NC State University, and the United States Marine Corp
- 3) be at the forefront of Defense Logistics efforts by working with the NC Department of Transportation (NC Global TransPark and the NC Ports Authority)
- 4) expand on its existing Aerospace/Defense environment through workforce evaluation, planning for growth in the Region's military presence, and prioritizing land-use and planning to protect installations and training flight paths from encroachment by partnering with the NC Department of Agriculture and Golden LEAF, Inc.
- 5) launch the Marine Biotechnology Center of Innovation as the next step in developing a platform for marine biotechnology research and development through its collaboration with the North Carolina Biotechnology Center.

### **NCER MARKETING TO THE WORLD**

Using web-based promotion and updated marketing materials, NCER made the most of opportunities to showcase the Region and its assets. Partnering with the NC Department of Commerce, the NC Global TransPark Authority, the North Carolina Biotechnology Center, and the Region's Economic Development Advisory Group, NCER takes part in marketing to site selection consultants, prospect recruitment missions, and participation in target industry forums, trade shows, and conferences. The FY 2011/2012 marketing objectives included:

- Expand Domestic and International Awareness
- Increase Face to Face Contacts with Site Consultants and Asset Management Organizations
- Partner to Maximize Financial and Other Resources
- Emphasize Defense/Aerospace and Life Sciences Sectors

- Promote Exports and Foreign Direct Investment - FDI
- Enhance Workforce Development & Marketability
- Improve Marketing Materials & Other Outreach Tools

To accomplish these objectives, the following action plan was developed and initiated:

#### Defense/Aerospace

- Partner with the NC Dept of Transportation's Global TransPark and NC Dept of Commerce in a pavilion at the Paris Air Show, UK
- Participate in the AIA reception at the US Ambassador's Residence, Paris
- Schedule appointments with clients, consultants, industry VIP's and global media during the Air Show
- Continue collaboration meetings with Poland's Aviation Valley Association and Italy's Regione Comperia at the Air Show
- Partner with NCER counties and Global TransPark to place Micro-sites on Flight Global International website
- Partner with Senator Kay Hagan to arrange and Co-Host first annual Defense/Aerospace Government Contracts Opportunity Summit
- Continue leadership of the seven county Military Growth Task Force dealing with issues relative to explosive manpower growth and basing of F-35B JSF
- Exchange visits with Piedmont Triad Regional Partnership to lay groundwork for cooperative marketing activities
- Participate in NC Aerospace Alliance Conf, Greensboro, IL, (Supply Chain Development)
- Participate in Military Logistics and RESET Conf, Wash DC
- Participate in AUVSI Systems Program Review, Wash DC
- Partner with NC GTP for Speed News Commercial Aviation Suppliers Conf, Los Angeles
- Attend Aviation Week & ST America's MRO Conf, Dallas
- Partner with NC GTP for Speed New Military Suppliers Conf. Los Angeles
- Partner with NCPED & NC Dept of Commerce to sponsor Aviation Week & ST, Commercial Aviation Manufacturing Conf, Charlotte
- Attend annual NC Aerospace Alliance Conf

#### Life Sciences (Bio/Pharma, Healthcare, Medical Devices & Support Services)

- Participate in US Dept of Energy Biomass Conf, Wash, DC
- Partner with NC Biotechnology Center to participate in World Drug Mfg Summit in Berlin, DE
- Participate in MANCEF COMS Conf, Greensboro, NC
- Arrange and host partnering meeting between East Carolina Univ. Engineering, Tourism and School of Nursing principals with Krosno State Univ, PI (Academic exchange)
- Participate in World Trade Group - Biotech Mfg Summit, San Diego, CA
- Sponsor NCER EDO's CA prospect calls in conjunction with the Mfg Summit
- Attend AgBiotech Opportunities for Farmer's/Growers Conf
- Participate in CED NC Life Sciences Conf, Raleigh, NC

- Partner with NC Biotech Center, Bio Europe, NL
- Partner with NC Biotech Center for BIO International Conference, Boston
- Attend annual meeting of GIN partners at BIO International Conf, Boston
- Capitalize on GIN partner, Jagiellonian University Center of Innovation, access to European Union Development funds
- Finalize creation of the virtual Marine Biotech Center of Innovation – MBCOI
- Add biotechnology (Collaboration) to agenda of Polish – American Economic Summit, Warsaw, PL

#### Advanced Manufacturing

- Participate in American Mfg Strategies Prospect Development Conf, Chicago, IL
- Sponsor prospect recruitment mission to northern California

#### Value Added Agriculture

- Establish and lead “Feed the Force” and “Fuel the Force” initiatives to preserve working farm lands, limit encroachment on military training areas/flight routes and to meet Dept of Defense mandates for fuel from renewable sources

#### Face-to-Face Contacts (Site Consultants and Asset Managers)

- Partner with Friends of North Carolina – FONC and NC Dept of Commerce to participate in multiple “Friends” site consultant meetings throughout the year in Atlanta, New York Chicago & Dallas
- Attend CoreNet Global, IEDC and IAMC events throughout the year (Net-Working/Mktg)
- Networking opportunities at multiple, Cluster specific, conferences

#### Tourism

- Create and host annual Tourism Mini-Summit
- Attend annual Governor’s Tourism Summit (NCER marketing and ally networking)
- Partner with NCNE and NCSE to pursue Tri-Regional National Heritage Designation
- Partner with NCER Tourism Advisory Group – TAG to update tourism website
- Create new marketing materials
- Contract to place rack cards at tourism related venues from the coast to east of Durham
- Place rack cards at all NC Welcome Centers
- Contract with Clear Channel Communications to place video’s in RDU baggage claim areas

#### Promote Exports and Foreign Direct Investment –FDI

- Multiple appearances at international trade shows, conferences and related venues
- Sign MOA with US Dept of Commerce to house Senior US Commercial Service Officer at NCER to assist small/medium sized companies in the region to export their products/services and to capitalize on US Dept of Commerce Invest in America Program
- Translate selected collaterals into French and Portuguese

#### Enhance Workforce Development and Marketability

- Implement Phase IV ASPIRE Initiative. Partner with all 11 community colleges, 3 Work Force Development Boards, Industry and other allies to continue the expansion and accelerate of the use of WorkKeys/Career Readiness Certificates – CRCs in the region
- Partner with Workforce Development Boards and WorkKeys allies to develop a video promoting the benefits of WorkKeys/CRCs
- Hire Executive Director and implement STEM East, Phase I. A initiative to install STEM Fab Labs in four middle schools (\$350,000 Golden Leaf Foundation Grant)
- Lead WORKREADY Communities Initiative. A region encompassing effort to elevate our workforce into our No. 1 competitive advantage. (\$210,000 NC Rural Center Grant)

#### Improve Marketing Materials and other Outreach Tools

- Contract with “VOCUS – On Demand Software” to facilitate Public Relations Management
- Partner with multiple NCER agencies to place Vertically Integrated Micro-sites on the Flight Global International Website
- Partner with multiple NCER agencies to develop NCER Economic Development Review
- Translate selected materials into French & Portuguese

#### Client Activity

##### Calendar Year 2011:

New Projects	41
Active Projects	22
Client Visits	17

##### Calendar Year 2012:

New Projects	39
Active Projects	26
Direct Contacts Made	236
Client Visits	29

### **NCER CAPACITY BUILDING**

#### **WORKFORCE INNOVATION NETWORK/ASPIRE/WORKREADY COMMUNITIES**

NCER continued to invest in projects aimed at improving the marketability and productivity of our workers. In the past four years, NCER’s programs have increased in magnitude and in the last year launched the pilot Work Ready Communities Program.

The Workforce Innovation network is an approach to help improve high school graduation rates, engage employers in economic development and increase **Career Readiness Certifications** in the region. This allows the region to be marketable to economic development clients, taking advantage of the number one recruiting request...qualified workforce. This is actually a measurable. Commitment and continued work with existing industry has connected NCER with over 100 industries. This program has excelled in connecting the skills these employees need with qualified workers.

With the region's investment in this program, NCER has more CRCs than any region in the state. Since 2008 when the program started, North Carolina's Eastern Region gained 34,333 people possessing a Career Readiness Certification. NCER brings together various partners in this effort and allows for flexibility of this program. No other organization provides this opportunity like NCER does to our member counties.

Acknowledging the importance of the Career Readiness Certification program to workforce development in the region, NCER budgeted a portion of its allocation from the NC Department of Commerce to this program since FY 2010/2011.

#### FY 2011-2012

Career Readiness Certifications	7,907
Jobs Profiled	8
Companies Committed	Over 100
NCER Funding =	\$55,949.50
State Funding =	\$160,265.00
Cost per CRC =	\$27.35

#### SCIENCE TECHNOLOGY ENGINEERING AND MATH (STEM)

The STEM East Network is a multi-county pilot project that initiates career pathways for secondary school students based on Science, Technology, Engineering and Math (or 'Strategies That Engage Minds') curriculum. This initiative draws upon the talent that resides among our employers to support teachers in the classroom and gives students access to computer-aided curriculum modules providing experiential learning sequences focused on aerospace, life or health sciences, electronics, energy, and many others. This program, already in five secondary schools, has touched well over 1,500 students across four counties. We expect another county and 25 schools to join the network in 2013 with new STEM Centers being installed. By using STEM East as a base and scaffolding the ASPIRE and WorkReady Communities workforce development initiatives upon it a "pipeline" of employees aligned to the needed skills of current and emerging businesses is being obtained.

#### BIZ BOOST

As a sub-recipient of an NC Department of Commerce grant to North Carolina State University and the Small Business and Technology Development Centers, NCER received funding to facilitate a marketing campaign to include promotion of the Biz Boost program. Biz Boost was a part of Governor Perdue's JobsNOW program for economic and workforce recovery efforts that directed small to medium sized businesses to the Small Business and Technology Development Center services.

#### MARINE BIOTECHNOLOGY CENTER OF INNOVATION

Phase I: Begun in 2008 with funding through the North Carolina Biotechnology Center, NCER initiated the collaboration of a Project Management Team to oversee and direct the work of preparing a complete business plan and organizational structure for a Marine Biotechnology Center of

Innovation. Once created, the MBCOI will help to coordinate the research being conducted in the various universities and ultimately assist in the development of innovation resulting from that research, leading to the creation of jobs and investment in new products, services and businesses created. With input from all of the university marine science institute/centers in North Carolina, the structure, Board composition, and position description for the MBCOI was created.

Phase II: With a business plan in-hand, the PMT began the process of selecting a Board of Directors and initiating the recruitment process to select the best possible candidate for Executive Director of the organization. An exhaustive search was performed and several well-qualified candidates were interviewed. In March 2012, Deborah A. Mosca, Ph.D. was hired as the Executive Director and immediately began the process of securing and establishing office space, legally incorporating the entity, selecting accounting, banking, and legal support, and working with the Board of Directors to make the MBCOI a reality.

#### MCAS CHERRY POINT: MAXIMIZING WORKFORCE DEVELOPMENT, ECONOMIC IMPACT AND REGIONAL GROWTH

Begun in 2010 and completed in 2011, NCER received funding through the Golden LEAF, Inc. to conduct a SWOT analysis of the proposed basing of up to ten F-35B Joint Strike Fighter squadrons at MCAS Cherry Point. NCER contracted for services with Research Triangle International to compile the SWOT analysis which included an F-35B-specific Economic Impact Analysis. The data was used by elected officials to defend the basing of the program at Cherry Point.

#### WOODY BIOMASS

With funds supplied by the Biofuels Center of North Carolina and North Carolina's Eastern Region, a regional woody biomass resources study was completed by Gelbert, Fullbright and Randolph Forestry Consultants which evaluated potential opportunities in the region. A Regional Analysis was provided to The East Group for best-site identification. Three sites were identified; one in Duplin County, Lenoir County, and Pitt County. Evaluation of these three sites provides important data that will assist the Biofuels Center of North Carolina and NCER in efforts to land a biofuels production facility in the region.

NCER, in concert with NC Southeast Development Commission, used this study to encourage the location of a major advanced biofuels producer (\$150 million investment, 60 jobs at the plant and over 140 more jobs in the field) in eastern North Carolina. NCER is currently using this study to encourage similar projects to locate in the region - two active projects, one that has identified a specific site of interest.

#### VOLUNTARY AGRICULTURE DISTRICTS/FARMLAND PROTECTION PLANS

Working with the NC Department of Agriculture, NCER utilized the services of Mount Olive College Lois G. Britt Agribusiness Center to coordinate with four counties (Greene, Jones, Lenoir, and Onslow) to develop a Farmland Protection Plan. The activities included planning and scheduling landowner workshops, administering appropriate survey instruments to substantiate and verify demographic and agricultural industry trends in each county, conduct regional workshops with agricultural producers, agribusiness firms, and non-farm residents, determine strengths and weaknesses and identify barrier to fully accentuating and mitigating same, and to attain Board of

County Commissioners' approval and adoption of the Farmland Protection Plan. This activity is given high priority by our military leaders to protect installations and training flight paths from encroachment.

NCER is currently working with three additional counties (Craven, Pamlico, and Nash) with a goal of providing Farmland Protection Plans in all of the region's thirteen counties.

#### NORTH CAROLINA DEFENSE LOGISTICS INITIATIVE

Funded by North Carolina's Eastern Region and Lenoir County, Onslow County, Jones County, Carteret County, North Carolina's Southeast Economic Development Commission, and the North Carolina Global TransPark Authority (NC Department of Transportation), the NCDLI represents a coordinated effort to leverage the assets of eastern North Carolina by creating a framework for continued collaboration between stakeholders including military, defense contractors, and local communities. By identifying current logistics practices and future needs, a template for the optimum defense logistics environment can be determined. A concise and informative marketing brochure was developed that describes the core message of a defense logistics network and its benefits to prospects. To date, NCER has had two prospect visits to the region as a result of this initiative.



December 3, 2012

To the Budget and Finance Committee  
North Carolina's Eastern Region Development Commission  
Kinston, North Carolina

We have audited the financial statements of the North Carolina's Eastern Region Development Commission (the Commission) for the year ended June 30, 2012, and have issued our report thereon dated December 3, 2012. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated February 16, 2012, our responsibility, as described by professional standards, is to express opinions about whether the financial statements in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether North Carolina's Eastern Region Development Commission's financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, 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. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the Commission's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement: applicable to each of its major State programs of the purpose of expressing an opinion on the Commission's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Commission's compliance with those requirements.



### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you on February 16, 2012.

### Significant Accounting Policies

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Commission are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2011/2012. We noted no transactions entered into by the Commission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

### Accounting Estimates

Accounting estimates are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly for those expected.

Management makes no accounting estimates that have financial statement significance.

### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 3, 2012.

### Consultation With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those



statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Budget and Finance Committee and management of North Carolina's Eastern Region Development Commission, and is not intended to be and should not be used by anyone other than these specified parties. Our Firm greatly appreciates the opportunity to continue to be of service to North Carolina's Eastern Region Development Commission.

*Pittard Perry & Crone, Inc.*  
La Grange, North Carolina



**NORTH CAROLINA'S EASTERN REGION DEVELOPMENT  
COMMISSION**

KINSTON, NORTH CAROLINA

**FINANCIAL AND COMPLIANCE REPORTS**

JUNE 30, 2012

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

To the Members  
North Carolina's Eastern Region Development Commission  
Kinston, North Carolina

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Carolina's Eastern Region Development Commission as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the North Carolina's Eastern Region Development Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the North Carolina's Eastern Region Development Commission as of June 30, 2012, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our reported dated December 3, 2012 on our consideration of the North Carolina's Eastern Region Development Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Carolina's Eastern Region Development Commission's basic financial statements. The combining and individual fund statements, budgetary schedules, and other schedules 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 accompanying schedule of expenditures of federal and State awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act, and is also not a required part of the basic financial statements. The combining and individual fund statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards have 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 and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and State awards are stated in all material respects in relation to the basic financial statements taken as a whole.

*Pittard Perry & Crone, Inc.*  
La Grange, North Carolina  
December 3, 2012

North Carolina's Eastern Region Development Commission, North Carolina  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2012

As management of the North Carolina's Eastern Region Development Commission, we offer readers of the North Carolina's Eastern Region Development Commission's financial statements this narrative overview and analysis of the financial activities of the North Carolina's Eastern Region Development Commission for the fiscal year ended June 30, 2012. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Commission's financial statements, which follow this narrative.

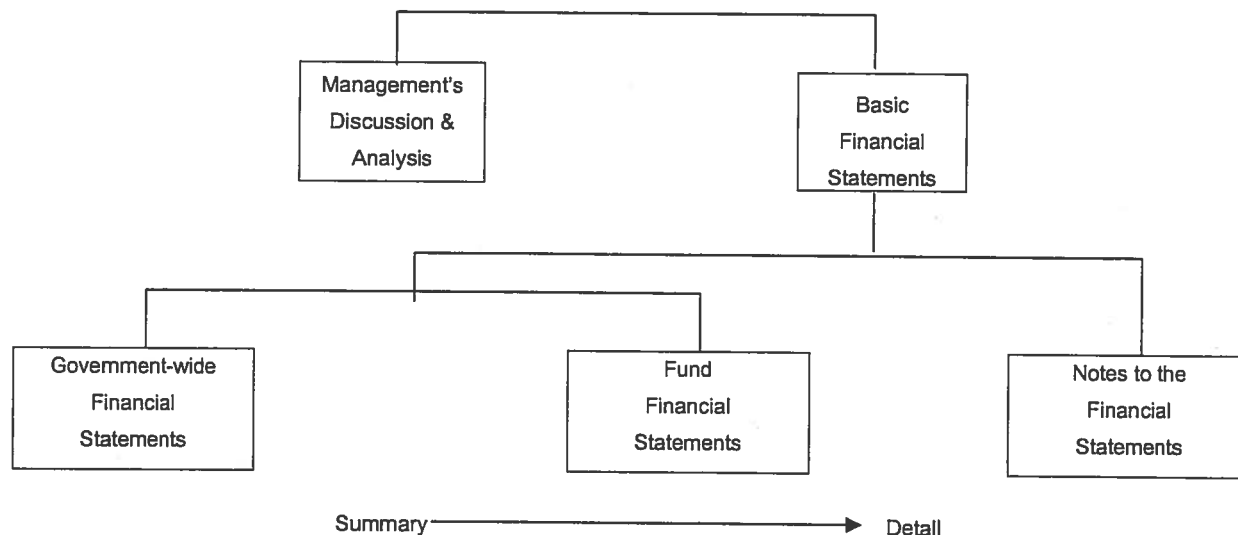
**Financial Highlights**

- The assets of the North Carolina's Eastern Region Development Commission exceeded its liabilities at the close of the fiscal year by \$4,894,053. (net assets).
- The government's total net assets decreased by \$710,190, resulting primarily from current fiscal year expenditures exceeding revenues.
- As of close of the current fiscal year, the North Carolina's Eastern Region Development Commission's general fund reported ending fund balances of \$4,560,746 a decrease of \$670,718 in comparison with the prior year. Approximately 81% of this total amount, or \$3,671,577, is available for spending at the government's discretion (unassigned fund balance). At the end of the current fiscal year, this unassigned fund balance is 145% of total general fund expenditures for the fiscal year.
- The North Carolina's Eastern Region Development Commission's total debt consists of accrued vacation pay of \$65,239, which increased by \$1,486 (2%) during the current fiscal year.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the North Carolina's Eastern Region Development Commission's basic financial statements. The Commission's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the Commission 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 North Carolina's Eastern Region Development Commission.

**Required Components of Annual Financial Report**  
**Figure 1**



## **Basic Financial Statements**

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

The next statements (Exhibits C through G) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Commission'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 statement; 2) the budgetary comparison statements; and 3) the agency 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, the supplementary information is provided to show details about the Military Growth Task Force.

## **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the Commission'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 Commission's financial status as a whole.

The two government-wide statements report the Commission's net assets and how they have changed. Net assets are the difference between the Commission's total assets and total liabilities. Measuring net assets is one way to gauge the Commission's financial condition.

The fund statements show the Commission's governmental activities and include most of the Commission's basic services such as administration, economic development, and marketing. Investment earnings and state grant funds finance most of these activities.

## **Fund Financial Statements**

The fund financial statements provide a more detailed look at the Commission'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 North Carolina's Eastern Region Development Commission, 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 Requirements of the Commission's budget ordinance. All of the funds of the North Carolina's Eastern Region Development Commission can be divided into two categories: governmental funds and fiduciary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Commission's basic services are accounted for in governmental funds. The 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 Commission's programs. The relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is part of the funds financial statements.

The North Carolina's Eastern Region Development Commission adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Commission, the management of the Commission, and the decisions of the Board about services to provide and how to pay for them. It also authorizes the



Commission to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Commission complied with the budget ordinance and whether or not the Commission succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the budgetary basis of accounting and the actual resources and charges.

**Agency Funds** – Agency funds are used to account for resources held for the benefit of parties outside the government. North Carolina's Eastern Region Development Commission has one fiduciary fund which is used to account for the uses of the special \$5 license fee enacted by the member counties.

**Military Growth Task Force** – This fund is a special revenue fund, with a project budget, which was established to account for federal grant funds from the Department of Defense to help prepare member counties for the military growth which will take place in the next five years.

**Notes to the Financial Statement** – The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 21 to 31 of this report.

**Interdependence with Other Entities:** North Carolina's Eastern Region Development Commission depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, North Carolina's Eastern Region Development Commission is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

## Government-Wide Financial Analysis

### North Carolina's Eastern Region Development Commission's Net Assets

Figure 2

	Governmental Activities	
	2012	2011
Current and other assets	\$ 5,011,793	\$ 5,772,396
Capital assets	9,567	13,277
Total assets	5,021,360	5,785,673
Long-term liabilities	65,239	63,753
Other liabilities	62,068	117,677
Total liabilities	127,307	181,430
Net assets:		
Invested in capital assets, net of related debt	9,567	13,277
Restricted	354,464	222,675
Unrestricted	4,530,022	5,368,291
Total net assets	\$ 4,894,053	\$ 5,604,243

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the North Carolina's Eastern Region Development Commission exceed liabilities by \$4,894,053 as of June 30, 2012. The largest portion, 93%, reflects the Commission's unrestricted net assets available for future operating needs. The restricted portion totaling \$336,183, or 7% of the total, represents resources that are subject to restrictions on how they may be used.

### North Carolina's Eastern Region Development Commission Changes in Net Assets

Figure 3

	Governmental Activities	
	2012	2011
Revenues		
Program revenues:		
Operating grants & contributions	\$ 2,094,628	\$ 1,925,061
General revenues:		
Investment earnings	368,218	417,729
Other	63,688	28,978
Total revenues	<u>2,526,534</u>	<u>2,371,768</u>
Expenses		
Economic and physical development	<u>3,236,724</u>	<u>3,183,324</u>
Change in net assets	( 710,190)	( 811,556)
Net assets, July 1	<u>5,604,243</u>	<u>6,415,799</u>
Net assets, June 30	<u>\$ 4,894,053</u>	<u>\$ 5,604,243</u>

#### Governmental activities:

Revenues for general governmental functions amounted to \$2,526,534 for the fiscal year ended June 30, 2012. Revenues from various sources and increases and decreases in relation to prior year's revenues are shown in the following table:

Revenue Source	% of Total	Amount	Increase (Decrease) From 2011
Federal, State, and local grants	82.91	\$2,094,628	\$ 169,567
Investment earnings	14.57	368,218	( 49,011)
Miscellaneous	2.52	63,688	34,710
Total	<u>100.00</u>	<u>\$2,526,534</u>	<u>\$ 155,266</u>

Expenditures for economic development purposes total \$3,231,528. Increases and decreases in relation to prior year's expenditures by major functions of the Commission are shown in the following table:

Functions of Expenditures	% of Total	Amount	Increase (Decrease) From 2011
Economic Development:			
Administration	49.80	\$ 1,609,418	\$ ( 513,598)
Information system	.50	16,060	( 10,087)
Grants to member governments	39.29	1,269,564	525,585
Capital outlay	.02	550	( 1,396)
Marketing	10.39	335,936	( 335,143)
Total	<u>100.00</u>	<u>\$ 3,231,528</u>	<u>\$ ( 334,639)</u>

Governmental activities decreased the Commission's net assets by \$710,190, or 12.7%.

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

As noted earlier, the North Carolina's Eastern Region Development Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds:** The focus of the North Carolina's Eastern Region Development Commission's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the North Carolina's Eastern Region Development Commission's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the integral operating fund of the North Carolina's Eastern Region Development Commission. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,671,577, while total fund balance was \$4,560,746. 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 represents 145% of total General Fund expenditures, while total fund balance represents 180% of that same amount.

**General Fund Budgetary Highlights:** During the fiscal year, the Commission 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 became necessary to maintain/increase services.

Revenues were less than the budgeted amounts due to a decrease in investment earnings and expenditures were less than budgeted, primarily in county grants.

### **Capital Asset and Debt Administration**

**Capital Assets:** The North Carolina's Eastern Region Development Commission's investments in capital assets for its governmental activities as of June 30, 2012 are \$9,567 (net of accumulated depreciation). These assets include office furniture and fixtures and technology equipment.

There were no capital asset transactions during the year.

Additional information on the Commission's capital assets can be found in Note 4 of the Basic Financial Statements.

**Long-term Debt:** As of June 30, 2012 the North Carolina's Eastern Region Development Commission had total debt outstanding of \$65,239, consisting entirely of accrued vacation pay.

### **Budget Highlights for the Fiscal Year Ending June 30, 2013**

**Governmental Activities:** Revenues for general operations are anticipated to decrease in fiscal year 2013 due to a decrease in interest rates and State funding. The State funding allocation is determined by dividing each county's enterprise factor as calculated under G.S. 105-129.3 by the sum of the enterprise factors for eligible counties and multiplying the resulting percentage by the amount of the appropriation. In fiscal year 2012, the North Carolina's Eastern Region Development Commission had six counties classified as Tier 1, five classified as Tier 2, and two classified as Tier 3, according to the NC Department of Commerce Article 3J Tax Credits. In fiscal year 2011, six of the Commission's counties were classified as Tier 1, five as Tier 2, and two as Tier 3. The allocation for FY 11/12 was \$475,113. For FY 12/13, the allocation has been decreased to \$464,146, for a decrease of \$10,967.

The budgeted expenditures in the General Fund are expected to decrease for FY 12/13 to \$1,960,964, down 45.05% from FY11/12's budgeted \$3,568,509 expenditures. Most of the reduction in expenditures are within the grant funds.

#### **Requests for Information**

This report is designed to provide an overview of the Commission's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Commission Administrator, North Carolina's Eastern Region Development Commission, Kinston, North Carolina.

North Carolina's Eastern Region Development Commission

STATEMENT OF NET ASSETS

June 30, 2012

EXHIBIT A

**ASSETS**

Cash, cash equivalents and investments	\$ 4,330,124
Accounts receivable	118,292
Note receivable	350,594
Prepaid expenses	14,483
Capital assets, net of depreciation	9,567
Restricted cash and cash equivalents	198,300
	<hr/>
Total assets	5,021,360
	<hr/>

**LIABILITIES**

Accounts payable and accrued liabilities	62,068
Long-term liabilities, due in more than one year	65,239
Total liabilities	127,307
	<hr/>

**NET ASSETS**

Invested in capital assets, net of related debt	9,567
Restricted:	
Grants	198,300
Stabilization by State Statute	156,164
Unrestricted	4,530,023
Total net assets	\$ 4,894,053
	<hr/>

The accompanying notes are an integral part of this statement.

North Carolina's Eastern Region Development Commission

**STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2012

EXHIBIT B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net Expense and Changes in Net Assets</u>
		<u>Operating Grants and Contributions</u>	
Governmental Activities:			
Economic and physical development	<u>\$ 3,236,724</u>	<u>\$ 2,094,628</u>	<u>\$ (1,142,096)</u>
General Revenues:			
			368,218
			63,688
			<u>431,906</u>
			(710,190)
			<u>5,604,243</u>
			<u>\$ 4,894,053</u>

The accompanying notes are an integral part of this statement.

North Carolina's Eastern Region Development Commission

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

June 30, 2012

EXHIBIT C

ASSETS	Major	Major	Total
	General Fund	Military Growth Task Force	Governmental Funds
Assets:			
Cash, cash equivalents and investments	\$ 4,321,662	\$ 8,462	\$ 4,330,124
Restricted cash	198,300	-	198,300
Interest receivable	35,756	-	35,756
Prepaid expenditures	14,483	-	14,483
Due from other funds	37,872	-	37,872
Accounts receivable	11,387	71,149	82,536
Notes receivable	350,594	-	350,594
Total assets	<u>\$ 4,970,054</u>	<u>\$ 79,611</u>	<u>\$ 5,049,665</u>

**LIABILITIES AND FUND BALANCES**

Liabilities:			
Accounts payable and accrued liabilities	\$ 58,714	\$ 3,354	\$ 62,068
Due to other funds	-	37,872	37,872
Deferred revenue	350,594	-	350,594
Total liabilities	<u>409,308</u>	<u>41,226</u>	<u>450,534</u>
Fund balances:			
Nonspendable:			
Prepaid expenditures	14,483	-	14,483
Restricted:			
Stabilization by State Statute	85,015	71,149	156,164
Committed:			
Economic Development	198,300	-	198,300
Assigned:			
Subsequent years expenditures	591,371	-	591,371
Unassigned	3,671,577	(32,764)	3,638,813
Total fund balances	<u>4,560,746</u>	<u>38,385</u>	<u>4,599,131</u>
Total liabilities and fund balances	<u>\$ 4,970,054</u>	<u>\$ 79,611</u>	<u>\$ 5,049,665</u>

Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:

Total fund balances above	\$ 4,599,131
Other long-term assets (notes receivable) are not available to pay for current-period expenditures and therefore are deferred in the funds.	350,594
Capital assets used in governmental activities are not financial resource and therefore are not reported in the funds.	9,567
Liability for compensated absences is not due and payable in the current period and therefore is not reported in the funds.	(65,239)
Net assets of governmental activities	<u>\$ 4,894,053</u>

The accompanying notes are an integral part of this statement.

North Carolina's Eastern Region Development Commission  
**STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
 For the Fiscal Year Ended June 30, 2012

EXHIBIT D  
 Page 1 of 2

	Major General Fund	Major Military Growth Task Force	Total Governmental Funds
<b>REVENUES</b>			
Tax refunds	\$ 3,985	\$ -	\$ 3,985
Interest	368,218	-	368,218
State grants	532,636	-	532,636
Center of Innovation Grant	111,353	-	111,353
Bio-fuels Center	37,800	-	37,800
Golden leaf grant	363,094	-	363,094
Rural Center Work Ready	70,425	-	70,425
Sentinal Landscapes	152,734	-	152,734
Defense Logistics Initiative	151,644	-	151,644
Federal grant	-	674,942	674,942
Miscellaneous	37,768	21,935	59,703
Total revenues	1,829,657	696,877	2,526,534
<b>EXPENDITURES</b>			
Current:			
Economic development administration	914,244	695,174	1,609,418
Economic development information system	16,060	-	16,060
Economic development grants	1,267,991	1,573	1,269,564
Marketing	335,936	-	335,936
Capital outlay	550	-	550
Total expenditures	2,534,781	696,747	3,231,528
Excess (deficiency) of revenues over expenditures	(705,124)	130	(704,994)
<b>OTHER FINANCING SOURCES</b>			
GAP Loan Proceeds	34,406	-	34,406
Net changes in fund balance	(670,718)	130	(670,588)
FUND BALANCE, beginning of year	5,231,464	38,255	5,269,719
FUND BALANCE, end of year	\$ 4,560,746	\$ 38,385	\$ 4,599,131



North Carolina's Eastern Region Development Commission  
**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS**  
For the Fiscal Year Ended June 30, 2012

EXHIBIT D  
Page 2 of 2

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

Net change in fund balances - total governmental funds	\$ (670,588)
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The loaning of funds creates a current expense to governmental funds, while the repayment of the funds loaned creates current financial resources of governmental funds. Neither transaction has any effect on net assets. This amount is the net effect of these differences in the treatment of notes receivable.

(34,406)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

(3,710)

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.

Compensated absences	(1,486)
Total changes in net assets of governmental activities	<u>\$ (710,190)</u>

The accompanying notes are an integral part of this statement.

North Carolina's Eastern Region Development Commission  
**STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 GENERAL FUND**

For the Fiscal Year Ended June 30, 2012

EXHIBIT E

Page 1 of 2

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<b>REVENUES</b>				
Tax refunds	\$ -	\$ -	\$ 3,985 ✓	\$ 3,985
Interest	359,733	362,651	368,218 ✓	5,567
State appropriation	400,000	475,113	475,113 ✓	-
NC Department of Agriculture	-	-	57,523 ✓	57,523
Center of Innovation Grant	-	250,000	111,353 ✓	(138,647)
Farmland protection grant	84,429	120,000	-	(120,000)
Bio-fuels Center	50,000	50,000	37,800 ✓	(12,200)
Golden leaf grant	350,000	432,000	363,094 ✓	(68,906)
Rural Center work ready	210,000	210,000	70,425 ✓	(139,575)
Sentinal Landscapes	-	300,000	152,734 ✓	(147,266)
Defense Logistics Initiative	-	157,500	151,644 ✓	(5,856)
Miscellaneous	-	-	37,768 ✓	37,768
Total revenues	<u>1,454,162</u>	<u>2,357,264</u>	<u>1,829,657</u>	<u>(527,607)</u>
<b>EXPENDITURES</b>				
Economic development administration:				
Personnel	707,847	707,847	663,491	44,356
Legal and accounting	70,000	75,000	68,063	6,937
Office expenditures	102,600	107,151	98,929	8,222
Board expenditures	17,800	17,800	15,699	2,101
Insurance and bonding	5,000	5,000	4,505	495
Rent expenditures	58,400	59,391	57,519	1,872
Miscellaneous	10,500	7,400	6,038	1,362
	<u>972,147</u>	<u>979,589</u>	<u>914,244</u>	<u>65,345</u>
Economic development information system	<u>25,000</u>	<u>19,211</u>	<u>16,060</u>	<u>3,151</u>
Marketing and economic development:				
County grants, economic development	1,437,957	2,199,749	1,267,991	931,758
Advertising, promotion and other	409,000	367,960	335,936	32,024
	<u>1,846,957</u>	<u>2,567,709</u>	<u>1,603,927</u>	<u>963,782</u>
Capital outlay	<u>2,000</u>	<u>2,000</u>	<u>550</u>	<u>1,450</u>
Total expenditures	<u>2,846,104</u>	<u>3,568,509</u>	<u>2,534,781</u>	<u>1,033,728</u>
Revenues over (under) expenditures	(1,391,942)	(1,211,245)	(705,124)	506,121

North Carolina's Eastern Region Development Commission  
**STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 GENERAL FUND**

For the Fiscal Year Ended June 30, 2012

EXHIBIT E

Page 2 of 2

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<b>OTHER FINANCING SOURCES</b>				
GAP Loan Proceeds	\$ -	\$ -	\$ 34,406	\$ 34,406
Revenues and other financing sources over (under) expenditures	(1,391,942)	(1,211,245)	(670,718)	540,527
Appropriated fund balance	1,391,942	1,211,245	-	1,211,245
Revenues, other financing sources and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	(670,718)	<u>\$ (670,718)</u>
FUND BALANCE, beginning of year			<u>5,231,464</u>	
FUND BALANCE, end of year			<u>\$ 4,560,746</u>	

The accompanying notes are an integral part of this statement.

North Carolina's Eastern Region Development Commission  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**AGENCY FUND**  
For the Fiscal Year Ended June 30, 2012

EXHIBIT F

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**ASSETS**

Assets:

Cash, cash equivalents and investments	\$ 16,046,277
Loans receivable	<u>6,305,032</u>

Total assets	<u><u>\$ 22,351,309</u></u>
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**LIABILITIES AND NET ASSETS**

Liabilities:

Accounts payable and accrued liabilities	\$ 7,342
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Net assets:

Held for member governments	<u>22,343,967</u>
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Total liabilities and fund balances	<u><u>\$ 22,351,309</u></u>
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The accompanying notes are an integral part of this statement.

North Carolina's Eastern Region Development Commission  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**AGENCY FUND**

For the Fiscal Year Ended June 30, 2012

EXHIBIT G

	Balance July 1, 2011	Deposits	Disbursements	Balance June 30, 2012
Trust Fund:				
Assets:				
Cash	\$ 15,182,204	\$ 1,029,628	\$ 165,555	\$ 16,046,277
Loans receivable	7,174,771	50,000	919,739	6,305,032
Total assets	<u>\$ 22,356,975</u>	<u>\$ 1,079,628</u>	<u>\$ 1,085,294</u>	<u>\$ 22,351,309</u>
Liabilities:				
Accounts payable	\$ 13,008	\$ 132,379	\$ 138,045	\$ 7,342
Net Assets:				
Held for member governments	22,343,967	-	-	22,343,967
Total liabilities and net assets	<u>\$ 22,356,975</u>	<u>\$ 132,379</u>	<u>\$ 138,045</u>	<u>\$ 22,351,309</u>

The accompanying notes are an integral part of this statement.

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North Carolina's Eastern Region Development Commission  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2012

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**Note 1. Summary of Significant Accounting Policies**

The financial statements of the North Carolina's Eastern Region Development Commission (the Commission) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**Reporting entity**

The North Carolina's Eastern Region Development Commission is a corporate body created on October 18, 1993 by North Carolina General Statute 158-31. Its purpose is to allow counties which have the potential to derive direct economic benefits from the North Carolina Global TransPark to create a special economic development district known as the North Carolina's Eastern Region. The Commission's primary responsibility is to promote and encourage economic development within the territorial jurisdiction of the Region by fostering development projects to provide land, buildings, facilities, programs, information and data systems, and infrastructure /requirements for business and industry in North Carolina's Eastern Region.

The Commission is governed by 19 voting members, consisting of one member from each of the thirteen participating counties, two members appointed by the Governor, two members appointed by the President Pro Tempore of the NC Senate, and two members appointed by the Speaker of the NC House of Representatives. The participating counties include Carteret, Craven, Duplin, Edgecombe, Greene, Jones, Lenoir, Nash, Onslow, Pamlico, Pitt, Wayne, and Wilson.

A county may withdraw by resolution of its board of commissioners, becoming effective at the end of the fiscal year in which it is adopted. Withdrawal does not entitle a county to early distribution of its interest in the region's assets, but it retains its rights to future distributions.

Determination as to whether an entity is a component unit of another primary government or whether it has component units that should be included in its own financial statements is determined based on the existence of financial accountability relationships under GAAP by applying Governmental Accounting Standards Board Statement No. 14. The Commission is not a component unit of a separate entity, nor does it have any component units.

**Basis of Presentation, Basis of Accounting**

**Basis of Presentation:**

*Government-wide Statements:* The statement of net assets and the statement of activities display information about the primary government (the Commission). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Commission. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Commission'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.

North Carolina's Eastern Region Development Commission  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2012

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**Note 1. Summary of Significant Accounting Policies (continued)**

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 Commission's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental fund reporting. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Commission reports the following major governmental funds:

*General Fund.* The General Fund is the general operating fund of the Commission. The General Fund accounts for all financial resources of the general government, except those required to be accounted for in another fund. The primary revenue sources are investment earnings and State grants. The primary expenditures are for economic development activities.

*Military Growth Task Force.* This fund is used to account for grant funds from the Department of Defense that are restricted for the use of preparing for military growth within six of the thirteen participating counties (Carteret, Craven, Onslow, Duplin, Pamlico, and Jones) and Pender County which is actually in the Southeastern Region.

**Agency funds:**

Agency funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets held by the government in a trustee capacity or as an agent on behalf of others. The agency fund shown in the exhibits accounts for assets of which the principal is earmarked for member governments and may not be spent by the Commission.

**Measurement Focus, Basis of Accounting:**

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

*Government-wide Financial Statements.* The government-wide financial statements are reported using the economic resources measurement focus and are reported using the accrual basis of accounting. The agency fund has no measurement focus. 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 Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Amounts reported as program revenues consists primarily of operating grants and contributions.

*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 capital leases are reported as other financing sources. The Commission considers all revenues available if they are collected within 60 days after year-end.



North Carolina's Eastern Region Development Commission  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2012

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**Note 1. Summary of Significant Accounting Policies (continued)**

**Budgetary Data**

Budgets are adopted as required by State statute. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at the fiscal year end. Project ordinances are adopted for the Military Growth Task Force. All budgets are prepared using the modified accrual basis of accounting. Expenditures cannot legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. During the year, several amendments to the original budget were approved by the Board, the effects of which were not material. A budget calendar is included in the North Carolina General Statutes which prescribes the last day on which certain steps of the budget procedures are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

April 30 - Each department head will transmit to the budget officer the budget request and revenue estimates for their department for the budget year.

June 1 - The budget and the budget message shall be submitted to the governing board. The public hearing on the budget should be scheduled at this time.

July 1 - The budget ordinance shall be adopted by the governing board.

**Assets, Liabilities, and Fund Equity**

**Cash, cash equivalents and investments:**

All deposits of the Commission are made in board designated official depositories and are secured as required by G.S. 159-31. Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are stated at cost since the Commission's investments do not fall under the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

State law [G.S. 159-30(c)] authorizes the Commission 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 banker's acceptances; the State Treasurer's Investment Fund and the North Carolina Capital Management Trust, an SEC registered mutual fund.

**Restricted assets:**

Money for grants to member counties that were approved by the Board at June 30, 2012 but had not been disbursed are classified as restricted cash.

**Capital assets:**

Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

North Carolina's Eastern Region Development Commission  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2012

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**Note 1. Summary of Significant Accounting Policies (continued)**

Capital assets of the Commission are depreciated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Furniture and fixtures	10
Vehicles	5
Technology equipment	5

**Compensated absences:**

The vacation policy of the Commission is limited to an accumulation of 240 hours with such leave being fully vested when earned. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. The current portion of the accumulated vacation pay is not considered to be material and, therefore, no provision for this has been made in the accompanying financial statements.

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

**Net Assets/Fund Balances**

**Net Assets**

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

**Fund Balances:**

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

The governmental fund types classify fund balances as follows:

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

**Prepaid Expenditures** - portion of fund balance that cannot be spent for expenditures that were prepaid.

**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)].

**Committed Fund Balance** – The portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Commission's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

**Committed for Economic Development** – The portion of fund balance reserved for grants to member counties authorized at June 30, 2012, but not yet expended.

North Carolina's Eastern Region Development Commission  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2012

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**Note 1. Summary of Significant Accounting Policies (continued)**

Assigned Fund Balance – The portion of fund balance that the Commission intends to use for specific purposes.

*Subsequent years' expenditures* – The portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

Unassigned Fund Balance – The portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

**Note 2. Cash, Cash Equivalents and Investments**

**Petty cash:**

At June 30, 2012, the Commission had petty cash funds on hand totaling \$200.

**Deposits:**

All deposits of the Commission are made in board-designated official depositories and are secured as required by State law. The Commission may designate as an official depository any bank or savings and loan association whose principle office is located in North Carolina. Also, the Commission may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit. The Commission also has money credited in its name with the State Treasurer and may issue State warrants against these funds.

All the deposits of the Commission 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 Commission's agent in the Commission'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 Commission, these deposits are considered to be held by the Commission's agent in the Commission'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 Commission or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Commission under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Commission has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Commission complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2012, the Commission's deposits had a carrying amount of \$4,528,146 and a bank balance of \$4,509,952. Of these balances, \$250,000 was covered by federal depository insurance.

North Carolina's Eastern Region Development Commission  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2012

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**Note 2. Cash, Cash Equivalents and Investments (continued)**

**Investments:**

At June 30, 2012, the Commission's investments consisted of participation in the State Treasurer's Investment Fund (STIF). The STIF Trust Account holds the funds available for loans to the member counties. The STIF Operating Account holds funds available to the Commission for normal operating costs. The STIF accounts are exempt from risk categorization because the Commission does not own any identifiable securities, but is an owner of a percentage of the funds. The invested amount of the STIF Trust and Operating Accounts were \$16,046,277 and \$78, respectively.

The investment balances were as follows:

Investment Type	Fair Value	Maturity	Rating
State Treasurer's Investment Fund	<u>\$ 16,046,355</u>	N/A	Unrated

Interest Rate Risk The Commission has no formal policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Commission's internal investment policy limits at least half of the Commission's investment portfolio to maturities of less than twelve months. Also, the Commission's internal management requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than two years.

Credit risk The Commission has no formal policy regarding credit risk, but has internal management procedures that limits the Commission's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The State Treasurer's Investment Fund is unrated since the Commission does not own any identifiable securities.

**Note 3. Receivables**

Receivables at June 30, 2012 consist of the following:

Accounts receivable	\$ 11,387
Interest	<u>35,756</u>
	47,143
Military Growth Task Force:	
Accounts receivable	<u>71,149</u>
Total	<u><u>\$ 118,292</u></u>

North Carolina's Eastern Region Development Commission  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2012

**Note 4. Capital Assets**

Capital asset activity for the year ended June 30, 2012 was as follows:

**Governmental Activities:**

Furniture and fixtures	\$ 21,311	\$ -	\$ -	\$ 21,311
Technology equipment	49,290	-	-	49,290
Total	70,601	-	-	70,601
Less accumulated depreciation for:				
Furniture and fixtures	24,134	-	-	24,134
Technology equipment	33,190	3,710	-	36,900
Total	57,324	3,710	-	61,034
Total capital assets being depreciated, net	<u>\$ 13,277</u>			<u>\$ 9,567</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Economic and physical development	\$ 3,710
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**Note 5. Local Governmental Employees' Retirement System**

The Commission contributes to the statewide Local Government Employees' Retirement System (LGERS), a cost sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the Authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Plan members are required to contribute 6% of their annual covered salary. The Commission is required to contribute an actuarially determined rate. The Commission's current contribution rate is 8.69% of annual covered payroll. The contribution requirements for members and of the Commission are established and may be amended by the North Carolina General Assembly. The Commission's contributions to LGERS for the year ended June 30, 2012, 2011, and 2010 were \$77,303, \$71,267, and \$48,427, respectively. The contributions made by the Commission equaled the required contributions for each year.

**Note 6. Other Employment Benefits**

The Commission 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

North Carolina's Eastern Region Development Commission  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2012

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**Note 6. Other Employment Benefits (continued)**

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. All death benefit payments are made from the Death Benefit Plan. The Commission 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. The Commission considers these contributions to be immaterial.

**Note 7. Long-Term Obligation Activity**

The following is a summary of changes in the Commission's long-term obligations for the fiscal year ended June 30, 2012:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 63,753	\$ 1,486	\$ -	\$ 65,239	\$ -

**Note 8. Risk Management**

The Commission 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 Commission carries commercial coverage for these risks of loss. There have been no significant reductions in insurance coverage from the previous year and there have been no material claims filed or settled that have exceeded coverage in any of the past three fiscal years. The Commission does not carry flood insurance.

In accordance with G.S. 159-29, the Commission's employees that have access to \$100 or more at any given time of the Commission's funds are performance bonded through a commercial surety bond. All employees are insured under a blanket bond of \$50,000. The chief financial officer is individually bonded for \$50,000.

**Note 9. Operating Lease Commitments**

The Commission conducts its operations in leased facilities under a ten-year noncancelable operating lease expiring December 31, 2011. At the end of the initial lease term, the lease may be renewed at the then fair rental value for four additional terms of five years each. On December 17, 2011, the lease was renewed at a rate of \$3,353 per month.

The minimum rental commitments under operating leases are as follows:

2012	<u>\$ 39,391</u>
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North Carolina's Eastern Region Development Commission  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2012

**Note 10. Notes Receivable**

On April 15, 2011, Edgecombe County entered into a GAP loan with the Commission for \$385,000. The loan will mature in future years ending June 30 as follows:

	Principal	Interest	Total
2013	\$ 33,986	\$ 11,976	\$ 45,962
2014	35,186	10,776	45,962
2015	36,428	9,534	45,962
2016	37,715	8,247	45,962
2017	39,046	6,916	45,962
2018-2021	168,233	13,383	181,616
	<u>\$ 350,594</u>	<u>\$ 60,832</u>	<u>\$ 411,426</u>

The long-term notes receivable related to the twenty-one trust fund loans will mature in future years ending June 30 as follows:

	Principal	Interest	Total
2013	\$ 718,767	\$ 217,559	\$ 936,326
2014	3,326,852	154,486	3,481,338
2015	570,563	75,515	646,078
2016	381,003	57,223	438,226
2017	312,003	44,467	356,470
2018-2022	902,654	103,316	1,005,970
2023	93,190	2,400	95,590
	<u>\$ 6,305,032</u>	<u>\$ 654,966</u>	<u>\$ 6,959,998</u>

The above notes receivable represent funds that are disbursed to each member county for the sole purpose of economic development and infrastructure construction related thereto.

**Note 11. Interfund Balances and Activity**

Balances due to/from other funds at June 30, 2012, consist of the following:

Due to the General Fund for payroll taxes and retirement paid from the operating bank account for the Military Growth Task Force	<u>\$ 37,872</u>
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The interfund balances resulted from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

North Carolina's Eastern Region Development Commission  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2012

**Note 12. Agency Fund**

The enabling legislation of the Commission outlines the method of allocation and required usage of agency funds. The fund consists of an initial State appropriation of \$7.5 million and 85% of the quarterly distributions of the \$5 motor vehicle license fees collected by the North Carolina Department of Transportation. The motor vehicle tax was adopted by the legislature and the participating counties and was collected for a period of 5 years ending June 30, 1999. The principal balance of the agency funds are nonexpendable and will revolve as loans that are made to member counties and repaid to the Commission. Interest on the trust is allocated directly to the general fund under the terms of the fund agreement.

The following reflects activity in the fund for the year ended June 30, 2012:

County	Balance June 30, 2011	Loans Made	Principal Repayments	Balance June 30, 2012
Carteret	\$ 1,705,420	\$ -	\$ -	\$ 1,705,420
Craven	2,093,240	-	-	2,093,240
Duplin	1,052,267	-	39,657	1,091,924
Edgecombe	42,958	-	145,909	188,867
Greene	536,542	50,000	96,743	583,285
Jones	543,822	-	15,382	559,204
Lenoir	171,426	-	-	171,426
Nash	1,517,716	-	180,000	1,697,716
Onslow	737,532	-	222,583	960,115
Pamlico	788,067	-	-	788,067
Pitt	2,293,852	-	71,823	2,365,675
Wayne	2,454,788	-	-	2,454,788
Wilson	1,231,506	-	147,642	1,379,148
Total	<u>\$ 15,169,136</u>	<u>\$ 50,000</u>	<u>\$ 919,739</u>	<u>\$ 16,038,875</u>
			Interest earnings due to general fund	<u>7,402</u>
			Total agency fund cash, cash equivalents and investments	<u>\$ 16,046,277</u>

Beginning and ending balances do not include loan balances outstanding.

**Note 13. Related Party Transactions**

**Global TransPark Authority**

The Global TransPark Authority is an independent state agency created by the General Assembly with the statutory responsibility to plan, develop and operate the Global TransPark. Although not directly connected with the development of the Global TransPark itself, the Commission supports economic development initiatives in the member counties to accommodate business drawn to the region by the Global TransPark. Beginning in January 2002, the office space occupied by the Commission is rented from the Authority at a monthly rate of \$7.50 per square foot. Beginning in December 2011, the monthly rate was increased to \$7.86 per square foot.



North Carolina's Eastern Region Development Commission  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2012

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**Member Counties**

As disclosed in Note 1, each member county appoints 1 member of the board. Transactions with the member counties for the year ended June 30, 2012 consisted of the loans and loan repayments totaling \$50,000 and \$919,739, respectively, disclosed in Note 12, and various grant disbursements paid from the general fund.

**Note 14. Commitments, Contingencies, and Subsequent Events**

**Environmental planning activities:**

In an agreement between the Commission and the North Carolina Air Cargo Airport Commission dated March 4, 1994, the Commission has committed to providing \$1,000,000 over a period of ten years (beginning July 1, 1995 and terminating June 30, 2005) to carry out and implement certain environmental planning activities provided for in the agreement. As of June 30, 2012, \$1,000,000 has been appropriated and \$540,138 has been expended for environmental activities. The Commission continues to support activities regarding environmental issues in the thirteen county region, but no longer provides funds for an Environmental Grant program.

**Other Grant Commitments:**

The following grants were approved by the Commission as of June 30, 2012, and are expected to be disbursed during the fiscal year ended June 30, 2013:

Flex Cap Local Grants

Edgecombe County	\$ 20,000
Jones County	20,000
Pitt County	20,000
Wilson County	20,000
	<u>\$ 80,000</u>

Flex Cap Regional Grants

Craven County	\$ 18,300
Lenoir County	50,000
Lenoir County	50,000
	<u>\$ 118,300</u>

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## **SUPPLEMENTARY INFORMATION**

North Carolina's Eastern Region Development Commission  
**SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 MILITARY GROWTH TASK FORCE**

From Inception and For the Fiscal Year Ended June 30, 2012

Statement 1

Page 1 of 2

	Project	Prior	Actual	Total to	Variance
	Authorization	Years	Current	Date	Positive
			Year		(Negative)
<b>REVENUES</b>					
Restricted intergovernmental:					
Federal grant	\$ 3,999,600	\$ 3,217,532	\$ 674,942	\$ 3,892,474	\$ (107,126)
Contributions	192,060	170,125	21,935	192,060	-
Total revenues	4,191,660	3,387,657	696,877	4,084,534	(107,126)
<b>EXPENDITURES</b>					
Economic development administration:					
Salaries	1,549,272	877,943	361,657	1,239,600	309,672
Fringe benefits	425,950	213,142	116,048	329,188	96,762
Postage	2,094	1,503	472	1,975	119
Telephone	44,179	32,139	10,432	42,571	1,608
Travel	106,721	76,795	31,472	108,267	(1,546)
Office supplies	38,732	26,236	11,229	37,465	1,267
Software & support services	41,237	36,465	63,645	100,110	(58,873)
Advertising	3,135	3,135	-	3,135	-
Printing & graphics	22,902	11,288	7,656	18,944	3,958
Insurance	4,711	3,189	200	3,389	1,322
Professional services	7,293	9,923	2,100	12,023	(4,730)
Off Base Meetings	38,622	41,800	-	41,800	(3,178)
Public outreach	86,091	92,151	-	92,151	(6,060)
Website development	6,750	7,500	-	7,500	(750)
Equipment rental/maintenance	11,601	8,673	1,658	10,331	1,270
Office equipment	2,274	2,637	-	2,637	(363)
Office furnishings	17,387	18,916	-	18,916	(1,529)
Plan IT East	-	1,198	-	1,198	(1,198)
Task #2 - Medical/health	102,000	110,000	-	110,000	(8,000)
Task #4 - Transit options	123,150	120,500	-	120,500	2,650
Task #6 - Communications	40,430	45,385	-	45,385	(4,955)
Task #7 - Military housing	98,982	107,800	-	107,800	(8,818)
Task #9 - Recreation/parks	36,500	40,000	-	40,000	(3,500)
Regional planner	2,000	1,650	-	1,650	350
Project manager FF4F	70,000	70,017	30,000	100,017	(30,017)
Consultant support	94,845	108,589	-	108,589	(13,744)
Biodiesel plant operation consultant	5,000	5,000	-	5,000	-

North Carolina's Eastern Region Development Commission  
**SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**MILITARY GROWTH TASK FORCE**

From Inception and For the Fiscal Year Ended June 30, 2012

Statement 1  
 Page 2 of 2

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Community services study	\$ 1,600	\$ -	\$ 18,499	\$ 18,499	\$ (16,899)
Convention space	4,200	3,802	-	3,802	398
RPP briefings	800	800	-	800	-
Two day off-site for RPP	7,500	7,500	-	7,500	-
Meeting planning & agenda	16,795	16,795	-	16,795	-
Rent expenditures	152,587	91,034	40,108	131,142	21,445
Total administration	<u>3,165,340</u>	<u>2,193,505</u>	<u>695,174</u>	<u>2,888,679</u>	<u>276,661</u>
Economic development grant:					
ECC interagency	230,770	259,897	-	259,897	(29,127)
Land US compatibility	158,319	174,900	-	174,900	(16,581)
Workforce	113,857	125,500	-	125,500	(11,643)
Housing	77,134	84,700	-	84,700	(7,566)
Infrastructure	109,356	120,500	-	120,500	(11,144)
Schools	77,134	84,700	-	84,700	(7,566)
Transportation	76,684	84,200	-	84,200	(7,516)
Medical/Social services	88,925	97,800	-	97,800	(8,875)
Public safety	88,925	97,800	-	97,800	(8,875)
Quality of life	77,134	84,700	-	84,700	(7,566)
Miscellaneous	-	-	1,573	1,573	(1,573)
RGMP report	28,082	41,200	-	41,200	(13,118)
Total grant	<u>1,126,320</u>	<u>1,255,897</u>	<u>1,573</u>	<u>1,257,470</u>	<u>(131,150)</u>
Total expenditures	<u>4,291,660</u>	<u>3,449,402</u>	<u>696,747</u>	<u>4,146,149</u>	<u>145,511</u>
Revenues over (under) expenditures	(100,000)	(61,745)	130	(61,615)	38,385
OTHER FINANCING SOURCES					
Transfer from general fund	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 38,255</u>	130	<u>\$ 38,385</u>	<u>\$ 38,385</u>
FUND BALANCE, beginning of year			<u>38,255</u>		
FUND BALANCE, end of year			<u>\$ 38,385</u>		

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## COMPLIANCE SECTION

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

To the Members  
North Carolina's Eastern Region Development Commission  
Kinston, North Carolina

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information for the North Carolina's Eastern Region Development Commission, as of and for the year ended June 30, 2012, which collectively comprises the North Carolina's Eastern Region Development Commission's basic financial statements, and have issued our report thereon dated December 3, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of North Carolina's Eastern Region Development Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the North Carolina's Eastern Region Development Commission's internal control over financial reporting as a basis for designing our auditing procedures 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 North Carolina's Eastern Region Development Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Carolina's Eastern Region Development Commission'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.

Member: North Carolina Association of Certified Public Accountants  
American Institute of Certified Public Accountants

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

*Pittard Perry & Crone, Inc.*

La Grange, North Carolina

December 3, 2012

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

To the Members  
North Carolina's Eastern Region Development Commission  
Kinston, North Carolina

Compliance

We have audited the compliance of North Carolina's Eastern Region Development Commission with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of the North Carolina's Eastern Region Development Commission's major federal programs for the year ended June 30, 2012. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Commission's compliance with those requirements.

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control

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over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

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

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

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

*Pittard Perry & Crone, Inc.*

La Grange, North Carolina  
December 3, 2012

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

To the Members  
North Carolina's Eastern Region Development Commission  
Kinston, North Carolina

Compliance

We have audited the compliance of North Carolina's Eastern Region Development Commission 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 its major State program for the year ended June 30, 2012. The Commission's major State program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major State program is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major State program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Commission's compliance with those requirements.

In our opinion, the Commission complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major State program for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major State program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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.

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

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

*Pittard Perry & Crone, Inc.*  
La Grange, North Carolina  
December 3, 2012



North Carolina's Eastern Region Development Commission  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2012

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Section I. Summary of Auditor's Results

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Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified?       yes   X  no
- Significant deficiencies conditions identified  
that are not considered to be  
material weaknesses       yes   X  none reported
- Noncompliance material to financial  
statements noted       yes   X  no

Federal Awards

Internal control over major Federal program:

- Material weaknesses identified?       yes   X  no
- Significant deficiencies identified  
that are not considered to be  
material weaknesses       yes   X  none reported
- Noncompliance material to Federal award noted       yes   X  no

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

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

Identification of major Federal programs:

CFDA Number   Name of Federal Program or Cluster

12.607 Community Economic Adjustment Assistance for  
Establishment, Expansion, Realignment, or  
Closure of a Military Installation

Dollar threshold used to distinguish  
between Type A and Type B Programs                     \$300,000

Auditee qualified as low-risk auditee?       yes   X  no

North Carolina's Eastern Region Development Commission  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2012

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Section I. Summary of Auditor's Results (Continued)

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State Awards

Internal control over major State program:

- Material weaknesses identified? ☐ yes ☒ no
- Significant deficiencies identified  
that are not considered to be  
material weaknesses ☐ yes ☒ none reported

Noncompliance material to State award noted ☐ yes ☒ no

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

Any audit findings disclosed that are required to be  
reported in accordance with the State Single Audit  
Implementation Act ☐ yes ☒ no

Identification of major State program:

Name of State Program or Cluster

State Appropriation



North Carolina's Eastern Region Development Commission  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Fiscal Year Ended June 30, 2012

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Section II – Financial Statement Findings

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None reported.

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Section III - Federal Award Findings and Questioned Costs

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None reported.

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Section IV - State Award Findings and Questioned Costs

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None reported.

North Carolina's Eastern Region Development Commission  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
Year Ended June 30, 2012

	Federal CFDA Number	Federal Expenditures	State Expenditures	Local Expenditures
<b>FEDERAL AWARDS</b>				
<u>U.S. Department of Defense</u>				
Passed-through the Office of Economic Adjustment:				
Community Economic Adjustment Assistance for				
Establishment, Expansion, Realignment, or				
Closure of a Military Installation				
	12.607	\$ 674,942	\$ -	\$ 21,805

**STATE AWARDS**

N.C. Department of Commerce				
Continuation Budget Operations Appropriations Act				
State Appropriation (Note 2)*	n/a	-	475,113	678,819

	Loan Balance Outstanding at June 30, 2011	Loans Made	Principal Repayments	Loan Balance Outstanding at June 30, 2012
Duplin	\$ 359,290	\$ -	\$ 39,657	\$ 319,633
Edgecombe	1,480,764	-	145,909	1,334,855
Greene	327,224	50,000	96,743	280,481
Jones	207,413	-	15,382	192,031
Lenoir	1,450,100	-	-	1,450,100
Nash	630,000	-	180,000	450,000
Onslow	1,880,089	-	222,583	1,657,506
Pitt	248,791	-	71,823	176,968
Wilson	591,100	-	147,642	443,458
Total	\$ 7,174,771	\$ 50,000	\$ 919,739	\$ 6,305,032

\* Denotes major State program

North Carolina's Eastern Region Development Commission  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
Year Ended June 30, 2012

- Note 1. The accompanying schedule of expenditures of Federal and State awards includes the federal and State grant activity of North Carolina's Eastern Region Development Commission and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.
- Note 2. The State Appropriation can only be utilized for operating and marketing purposes and cannot be used for infrastructure purposes, per the oral opinion of the State Attorney General's Office.
- Note 3. The nonexpendable trust fund from which these loans are made is funded by the \$7.5 million State Appropriation received in fiscal year 1994-1995 under the Capital Appropriations Act and 85% of the quarterly distributions of the \$5 motor vehicle license fees collected by the North Carolina Department of Transportation. Unloaned funds in the amount of \$16,046,277 are currently invested in the State Treasurer's Investment Fund.

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## NORTH CAROLINA'S EASTERN REGION - FISCAL YEAR 2011/2012 - EXPENSES BY SOURCE OF FUNDS

FISCAL YEAR 2011/2012 EXPENDITURES	TOTAL EXPENSE	PERCENT OF TOTAL FUNDS	INTEREST EARNINGS			OTHER RESOURCES			GRANT INCOME									TOTAL REVENUES
			TRUST FUND BALANCE	OUTSTANDING LOANS	CASH RESERVES	SALES TAX REFUND	MISC. INCOME	WITHDRAWAL FROM FUND BALANCE	NCDOC APPROPRIATION	BIOFUELS CENTER	NC STATE UNIVERSITY	NCBC	NC DOT THROUGH NCGTPA	NC DOA ADFP	NC RURAL CENTER	GOLDEN LEAF	MISC. STEM SUPPORT	
PERSONNEL																		
Salaries	496,523.49	19.59%	109,888.89	260,000.91	(1,672.03)	3,985.29	34,417.43		89,903.00									496,523.49
Payroll Taxes	35,606.04	1.40%					28,728.04		6,878.00									35,606.04
Health Insurance	78,873.01	3.11%					9,027.91	69,845.10										78,873.01
Retirement	44,679.71	1.76%						36,866.71	7,813.00									44,679.71
Worker's Comp Insurance	2,506.00	0.10%						2,506.00										2,506.00
Temporary Labor	5,302.50	0.21%							5,302.50									5,302.50
OFFICE/ADMINISTRATIVE																		
Postage and Freight	1,514.79	0.06%						1,514.79										1,514.79
Telephone	18,694.74	0.74%						18,694.74										18,694.74
Staff Travel	20,742.91	0.82%						20,742.91										20,742.91
Dues and Subscriptions	1,239.62	0.05%						1,239.62										1,239.62
Office Supplies	7,033.78	0.28%						7,033.78										7,033.78
Computer Operations	16,059.88	0.63%						16,059.88										16,059.88
Board Travel and Per Diem	15,699.32	0.62%						15,699.32										15,699.32
Membership Dues and Fees	30,962.65	1.22%						30,962.65										30,962.65
Insurance Bond	4,505.00	0.18%						4,505.00										4,505.00
Legal Ads	5,655.04	0.22%						5,655.04										5,655.04
Professional Services	68,063.06	2.69%						68,063.06										68,063.06
Meals and Entertainment	3,869.53	0.15%						3,869.53										3,869.53
Rent to GTP Authority	39,390.63	1.55%						39,390.63										39,390.63
Equipment Rental/Maintenance	18,128.67	0.72%						18,128.67										18,128.67
Cleaning Service and Supplies	5,965.96	0.24%						5,965.96										5,965.96
Utilities	7,119.84	0.28%						7,119.84										7,119.84
Miscellaneous	2,168.96	0.09%						2,168.96										2,168.96
MARKETING EXPENSES																		
Staff Training	4,744.46	0.19%						4,744.46										4,744.46
Materials Development and Printing	116,234.03	4.59%						66,851.86	49,382.17									116,234.03
Public Relations	9,948.55	0.39%						9,948.55										9,948.55
Marketing Events	93,963.27	3.71%						1,963.27	92,000.00									93,963.27
Advertising	53,732.60	2.12%						-	53,732.60									53,732.60
Promotional Items	4,427.44	0.17%						4,427.44										4,427.44
Trade Shows	5,000.00	0.20%						-	5,000.00									5,000.00
Prospect Visits	785.23	0.03%						-	785.23									785.23
Special Projects	47,100.04	1.86%						43,048.54	4,051.50									47,100.04
CAPITAL OUTLAY																		
Office Equipment & Furnishings	550.00	0.02%						550.00										550.00
GRANTS ISSUED BY NCER																		
Flex Cap Local Grants	67,425.00	2.66%						67,425.00										67,425.00
Flex Cap Regional Grants	36,700.00	1.45%						36,700.00										36,700.00
President's Discretionary Grants	16,547.65	0.65%						16,547.65										16,547.65
Workforce Innovation Grants	216,554.50	8.54%						56,289.50	160,265.00									216,554.50
GRANTS RECEIVED BY NCER																		
Marine Biotechnology Center of Innovation	117,918.47	4.65%						6,565.87				111,352.60						117,918.47
Biofuels Center of North Carolina	20,200.00	0.80%						(17,600.00)		37,800.00								20,200.00
GLF Stem Labs Grant	301,210.86	11.88%						(61,883.45)								280,000.00	83,094.31	301,210.86
ADFP Farmland Protection Grants	69,695.66	2.75%						12,172.76						57,522.90				69,695.66
Rural Center WorkReady Grant	50,671.46	2.00%						(19,753.19)							70,424.65			50,671.46
Defense Logistics Initiative	210,567.04	8.31%						58,922.89					151,644.15					210,567.04
Sentinel Landscapes	160,500.07	6.33%						7,765.69			152,734.38							160,500.07
<b>TOTALS</b>	2,534,781.46	100.00%	109,888.89	260,000.91	(1,672.03)	3,985.29	72,173.38	670,719.03	475,113.00	37,800.00	152,734.38	111,352.60	151,644.15	57,522.90	70,424.65	280,000.00	83,094.31	2,534,781.46