

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

FINANCIAL AND COMPLIANCE REPORTS

JUNE 30, 2013

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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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Carolina's Eastern Region Development Commission as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

well as evaluating the overall financial statement presentation of the financial statements.

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the North Carolina's Eastern Region Development Commission as of June 30, 2013, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the North Carolina's Eastern Region Development Commission will continue as a going concern. As discussed in Note 15 to the financial statements, the Commission will be dissolved as of June 30, 2014 in accordance with the North Carolina's General Assembly Senate Bill 402. These conditions raise substantial doubt about its ability to continue as a going concern.

Management's plans regarding those matters are described in Note 15. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of North Carolina's Eastern Region Development Commission. The combining and individual fund statements, budgetary

schedules, and Schedule of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act, are presented for the purpose of additional analysis and are not required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reported dated October 31, 2013 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 grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Carolina's Eastern Region Development Commission's internal control over financial reporting and compliance

Carly Riggs & Ingram, L.L.C.

La Grange, North Carolina
October 31, 2013

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North Carolina's Eastern Region Development Commission, North Carolina
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

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, 2013. 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.

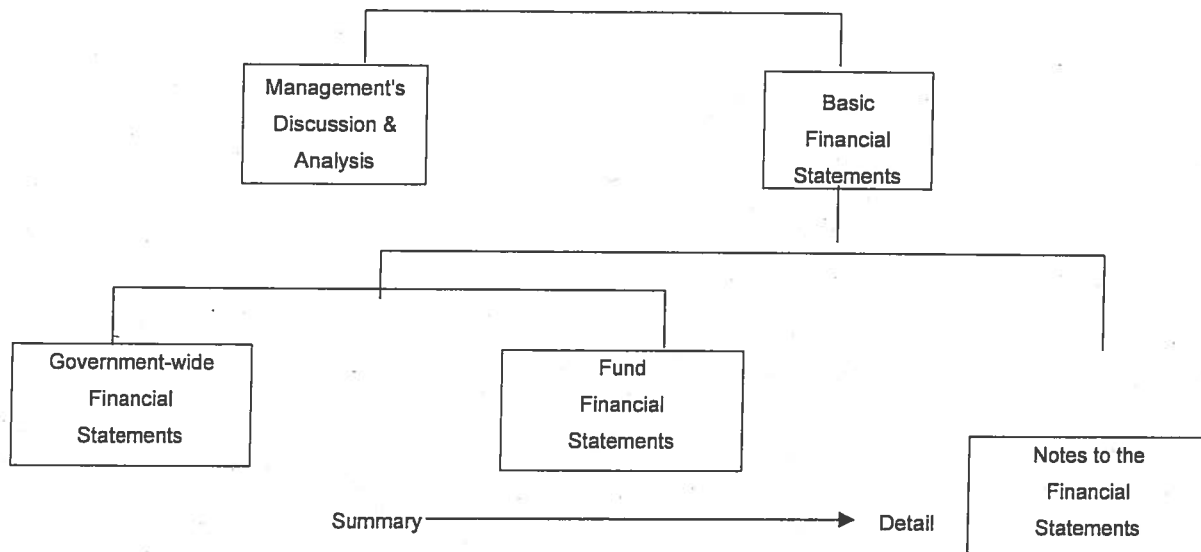
Financial Highlights

- The assets of the North Carolina's Eastern Region Development Commission exceeded its liabilities at the close of the fiscal year by \$652,070. (net position).
- The government's total net position decreased by \$4,241,983, resulting primarily from the contribution to North Carolina's Eastern Alliance.
- As of close of the current fiscal year, the North Carolina's Eastern Region Development Commission's general fund reported ending fund balances of \$373,278 a decrease of \$4,187,467 in comparison with the prior year. The North Carolina's Eastern Region Development Commission's total debt consists of accrued vacation pay of \$44,024, which decreased by \$21,215 (33%) 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 position and how it has changed. Net position is the difference between the Commission's total assets and total liabilities. Measuring net position 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 Position 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 Position

Figure 2

	Governmental Activities	
	2013	2012
Current and other assets	\$ 786,442	\$ 5,011,793
Capital assets	6,207	9,567
Total assets	792,649	5,021,360
Long-term liabilities	44,024	65,239
Other liabilities	96,555	62,068
Total liabilities	140,579	127,307
Net position:		
Invested in capital assets, net of related debt	6,207	9,567
Restricted	211,559	354,464
Unrestricted	434,304	4,530,022
Total net position	\$ 652,070	\$ 4,894,053

As noted earlier, net position 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 \$652,070 as of June 30, 2013. The Commission's net position decreased by \$4,241,983 for the fiscal year ended June 30, 2013. The largest portion of net position, 67%, reflects the Commission's unrestricted net position available for future operating needs. The restricted portion totaling \$211,559, or 33% 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 Position

Figure 3

	Governmental Activities	
	2013	2012
Revenues		
Program revenues:		
Operating grants & contributions	\$ 1,023,019	\$ 2,094,628
General revenues:		
Investment earnings	302,348	368,218
Other	25,574	63,688
Total revenues	<u>1,350,941</u>	<u>2,526,534</u>
Expenses		
Economic and physical development	<u>1,992,924</u>	<u>3,236,724</u>
Change in net position before special items	(641,983)	(710,190)
Special Item		
Contribution to NC's Eastern Alliance	<u>(3,600,000)</u>	<u>-</u>
Changes in net position	<u>(4,241,983)</u>	<u>(710,190)</u>
Net position, July 1	<u>4,894,053</u>	<u>5,604,243</u>
Net position, June 30	<u>\$ 652,070</u>	<u>\$ 4,894,053</u>

Governmental activities:

Revenues for general governmental functions amounted to \$1,350,942 for the fiscal year ended June 30, 2013. 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 2012
Federal, State, and local grants	77.18	\$1,042,707	\$(1,051,921)
Investment earnings	22.38	302,348	(65,870)
Miscellaneous	.44	5,887	(57,801)
Total	<u>100.00</u>	<u>\$1,350,942</u>	<u>\$(1,175,592)</u>

Expenditures for economic development purposes total \$2,010,780. 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 2012
Economic Development:			
Administration	60.11	\$ 1,208,796	\$ (400,622)
Information system	.56	11,069	(4,991)
Grants to member governments	27.92	561,504	(708,060)
Capital outlay	.03	524	(26)
Marketing	11.38	228,887	(107,049)
Total	100.00	\$ 2,010,780	\$ (1,220,748)

Governmental activities decreased the Commission's net position by \$4,225,852, or 91.9%.

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 \$0, while total fund balance was \$373,278. 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 0% of total General Fund expenditures, while total fund balance represents 22.8% 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, 2013 are \$6,207 (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, 2013 the North Carolina's Eastern Region Development Commission had total debt outstanding of \$44,024, consisting entirely of accrued vacation pay.

Economic Factors

The following key economic indicators reflect the economic environment that the Commission is operating in. On July 26, 2013, North Carolina's General Assembly approved Senate Bill 402 repealing Articles 2 and 4 of Chapter 158 of the North Carolina General Statutes. The Commission will be dissolved as of June 30, 2014 and shall liquidate its assets.

Budget Highlights for the Fiscal Year Ending June 30, 2014

Governmental Activities: Revenues for general operations are anticipated to decrease in fiscal year 2014 due to a decrease in interest rates and State funding. The allocation for FY 12/13 was \$474,899. For FY 13/14, the allocation has been decreased to \$156,098, for a decrease of \$318,801. The budgeted expenditures in the General Fund are expected to decrease for FY 13/14 to \$1,443,914, down 37.22% from FY12/13's budgeted \$2,300,000 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 Position
June 30, 2013

EXHIBIT A

ASSETS

Current assets

Cash, cash equivalents and investments	\$ 250,785
Accounts receivable	51,560
Note receivable	316,608
Prepaid items	7,489
Restricted cash and cash equivalents	160,000
Total current assets	786,442

Non-current assets

Capital assets, net of depreciation	6,207
Total assets	792,649

LIABILITIES

Accounts payable and accrued liabilities	96,555
Long-term liabilities, due in more than one year	44,024
Total liabilities	140,579

NET POSITION

Net investment in capital assets	6,207
Restricted for:	
Grants	160,000
Stabilization by State Statute	51,559
Unrestricted	434,304
Total net position	\$ 652,070

The accompanying notes are an integral part of this statement.

North Carolina's Eastern Region Development Commission
Statement of Activities
For the Year Ended June 30, 2013

EXHIBIT B

<u>Functions/Programs</u>	Expenses	Program	Net Expense and Changes in Net Position
		Revenues Operating Grants and Contributions	
Governmental Activities:			
Economic and physical development	\$ 1,992,924	\$ 1,023,019	\$ (969,905)
General Revenues:			
Investment earnings, unrestricted			302,348
Miscellaneous, unrestricted			25,574
Total general revenues			327,922
Special item -			
Contribution to NC's Eastern Alliance			(3,600,000)
Changes in net position			(4,241,983)
Net position, beginning			4,894,053
Net position, ending			\$ 652,070

The accompanying notes are an integral part of this statement.

North Carolina's Eastern Region Development Commission
Balance Sheet
Governmental Funds
June 30, 2013

EXHIBIT C

	Major General Fund
ASSETS	
Cash, cash equivalents and investments	\$ 250,785
Restricted cash	160,000
Interest receivable	32,017
Prepaid expenditures	7,489
Accounts receivable	19,542
Notes receivable	316,608
Total assets	\$ 786,442
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable and accrued liabilities	\$ 96,556
Deferred inflow of resources - notes receivable	316,608
Fund balances:	
Nonspendable:	
Prepaid expenditures	7,489
Restricted:	
Stabilization by State Statute	51,559
Committed:	
Economic Development	160,000
Assigned:	
Subsequent years expenditures	154,230
Unassigned	-
Total fund balances	373,278
Total liabilities, deferred inflows of resources, and fund balances	\$ 786,442
Amounts reported for governmental activities in the statement of net position (Exhibit A) are different because:	
Total Fund Balance, Governmental Activities	373,278
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	316,608
Capital assets used in governmental activities are not financial resource and therefore are not reported in the funds.	6,207
Liability for compensated absences is not due and payable in the current period and therefore is not reported in the funds.	(44,023)
Net position of governmental activities	\$ 652,070

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 Year Ended June 30, 2013

EXHIBIT D
Page 1 of 2

	Major		Total
	General	Military	Governmental
	Fund	Growth	Funds
		Task Force	
REVENUES			
Tax refunds	\$ 2,159	\$ -	\$ 2,159
Interest	302,348	-	302,348
State grants	474,899	-	474,899
Center of Innovation Grant	8,042	-	8,042
Farmland Protection Grant	12,000	-	12,000
Bio-fuels Center	12,200	-	12,200
Rural Center Work Ready	49,468	-	49,468
Sentinal Landscapes	119,627	-	119,627
Defense Logistics Initiative	19,688	-	19,688
Federal grant	-	346,783	346,783
Miscellaneous	3,728		3,728
Total revenues	1,004,159	346,783	1,350,942
EXPENDITURES			
Current:			
Economic development administration	838,651	370,145	1,208,796
Economic development information system	11,069	-	11,069
Economic development grants	561,504	-	561,504
Marketing	228,887	-	228,887
Capital outlay	524	-	524
Total expenditures	1,640,635	370,145	2,010,780
Excess (deficiency) of revenues over expenditures	(636,476)	(23,362)	(659,838)
OTHER FINANCING SOURCES (USES)			
Transfer from (to)	15,023	(15,023)	-
GAP Loan Proceeds	33,986	-	33,986
Contribution to NC's Eastern Alliance	(3,600,000)	-	(3,600,000)
Total other financing sources (uses)	(3,550,991)	(15,023)	(3,566,014)
Net changes in fund balance	(4,187,467)	(38,385)	(4,225,852)
FUND BALANCE, beginning of year	4,560,745	38,385	4,599,130
FUND BALANCE, end of year	\$ 373,278	\$ -	\$ 373,278

North Carolina's Eastern Region Development Commission
Statement of Revenues, Expenditures, and
Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2013

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	\$ (4,225,852)
--	----------------

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.

(33,986)

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

(3,360)

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	21,215
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Total changes in net position of governmental activities	\$ (4,241,983)
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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 Year Ended June 30, 2013

EXHIBIT E

Page 1 of 2

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
REVENUES				
Tax refunds	\$ -	\$ 3,985	\$ 2,159	\$ (1,826)
Interest	297,017	295,270	302,348	7,078
State appropriation	464,146	474,399	474,899	500
Rural Jobs Accelerator Grant	-	125,000	-	(125,000)
Center of Innovation Grant	-	8,042	8,042	-
Farmland protection grant	105,000	57,000	12,000	(45,000)
Bio-fuels Center	5,000	12,200	12,200	-
Defense Logistics Initiative	4,500	-	-	-
Golden leaf grant	160,876	70,000	-	(70,000)
Rural Center work ready	139,576	139,576	49,468	(90,108)
Sentinal Landscapes	117,266	432,266	119,627	(312,639)
Contributions	26,250	19,688	19,688	-
Miscellaneous	4,000	2,227	3,728	1,501
Total revenues	1,323,631	1,639,653	1,004,159	(635,494)
EXPENDITURES				
Economic development administration:				
Personnel	586,394	588,289	582,471	5,818
Legal and accounting	70,500	74,000	87,074	(13,074)
Office expenditures	87,910	92,882	92,065	817
Board expenditures	4,000	6,965	6,964	1
Insurance and bonding	6,000	9,724	9,724	-
Rent expenditures	52,917	56,037	55,936	101
Miscellaneous	11,720	5,008	4,417	591
	819,441	832,905	838,651	(5,746)
Economic development information system	15,300	11,300	11,069	231
Marketing and economic development:				
County grants, economic development	927,234	1,223,121	561,504	661,617
Advertising, promotion and other	196,989	232,150	228,887	3,263
	1,124,223	1,455,271	790,391	664,880
Capital outlay	2,000	524	524	-
Total expenditures	1,960,964	2,300,000	1,640,635	659,365
Revenues over (under) expenditures	(637,333)	(660,347)	(636,476)	23,871

North Carolina's Eastern Region Development Commission
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2013

EXHIBIT E

Page 2 of 2

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Transfer from MGTf	\$ -	\$ -	\$ 15,023	\$ 15,023
GAP Loan Proceeds	45,962	45,962	33,986	(11,976)
Contribution to NC's Eastern Alliance	-	-	(3,600,000)	(3,600,000)
Total other financing sources (uses)	45,962	45,962	(3,550,991)	(3,596,953)
Revenues and other financing sources over (under) expenditures and other financing uses	(591,371)	(614,385)	(4,187,467)	(3,573,082)
Appropriated fund balance	591,371	614,385	-	(614,385)
Revenues, other financing sources and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	(4,187,467)	<u>\$ (4,187,467)</u>
FUND BALANCE, beginning of year			4,560,745	
FUND BALANCE, end of year			\$ 373,278	

The accompanying notes are an integral part of this statement.

North Carolina's Eastern Region Development Commission
Statement of Fiduciary Net Position
Agency Fund
June 30, 2013

EXHIBIT F

ASSETS

Assets:

Cash, cash equivalents and investments	\$	16,763,027
Loans receivable		5,586,264

Total assets		22,349,291
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LIABILITIES AND NET POSITION

Liabilities:

Accounts payable and accrued liabilities		5,324
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Net position:

Assets held for member governments	\$	22,343,967
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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 Position
Agency Fund
For the Year Ended June 30, 2013

EXHIBIT G

	Balance July 1, 2012	Deposits	Disbursements	Balance June 30, 2013
Trust Fund:				
Assets:				
Cash	\$ 16,046,277	\$ 791,125	\$ 74,375	\$ 16,763,027
Loans receivable	6,305,032	-	718,768	5,586,264
Total assets	22,351,309	791,125	793,143	22,349,291
Liabilities:				
Accounts payable	7,342	72,357	74,375	5,324
Net Position:				
Assets held for member governments	\$ 22,343,967	\$ -	\$ -	\$ 22,343,967

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

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 Statements. 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 position 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 Commission does not have any business-type activities.

North Carolina's Eastern Region Development Commission

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

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.

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.

Note 1. Summary of Significant Accounting Policies (continued)

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.

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.

North Carolina's Eastern Region Development Commission

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, 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, 2013 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.

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

	Years
Furniture and fixtures	10
Vehicles	5
Technology equipment	5

Note 1. Summary of Significant Accounting Policies (continued)

Deferred outflows/inflows of resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Commission has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Commission has one item that meet the criterion for this category – notes receivable.

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 Position/Fund Balances

Net Position

Net position in government-wide financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents 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.

North Carolina's Eastern Region Development Commission

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

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, 2013, but not yet expended.

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, 2013, 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.

North Carolina's Eastern Region Development Commission

Notes to Financial Statements

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

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, 2013, the Commission's deposits had a carrying amount of \$410,507 and a bank balance of \$455,818. Of these balances, \$250,000 was covered by federal depository insurance.

Investments:

At June 30, 2013, 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 \$16,763,027 and \$78, respectively.

The investment balances were as follows:

Investment Type	Fair Value	Maturity	Rating
State Treasurer's Investment Fund	<u>\$ 16,763,105</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.

North Carolina's Eastern Region Development Commission

Notes to Financial Statements

Note 3. Receivables

Receivables at June 30, 2013 consist of the following:

Accounts receivable	\$	19,543
Interest		32,017
	\$	<u>51,560</u>

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

Governmental Activities:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Furniture and fixtures	\$ 21,311	\$ -	\$ -	\$ 21,311
Technology equipment	49,290	-	-	49,290
Total	<u>70,601</u>	<u>-</u>	<u>-</u>	<u>70,601</u>
Less accumulated depreciation for:				
Furniture and fixtures	24,134	-	-	24,134
Technology equipment	36,900	3,360	-	40,260
Total	<u>61,304</u>	<u>3,360</u>	<u>-</u>	<u>64,394</u>
Total capital assets being depreciated, net	<u>\$ 9,567</u>			<u>\$ 6,207</u>

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

Economic and physical development	\$ 3,360
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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.

North Carolina's Eastern Region Development Commission

Notes to Financial Statements

Note 5. Local Governmental Employees' Retirement System (continued)

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 6.74% 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, 2013, 2012, and 2011 were \$44,961, \$77,303, and \$71,267, 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 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. Deferred Inflows of Resources

Deferred inflows of resources at year-end is comprised of a note receivable to Edgecombe County of \$316,608.

Note 8. 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, 2013:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 65,239	\$ -	\$ 21,215	\$ 44,024	\$ -

North Carolina's Eastern Region Development Commission

Notes to Financial Statements

Note 9. 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 10. 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:

2014	<u>\$ 40,233</u>
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Note 11. 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
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	40,425	5,538	45,963
2019-2021	127,808	7,846	135,654
	<u>\$ 316,608</u>	<u>\$ 48,857</u>	<u>\$ 365,465</u>

North Carolina's Eastern Region Development Commission

Notes to Financial Statements

Note 11. Notes Receivable (continued)

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
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	212,123	34,480	246,603
2019-2023	783,720	71,236	854,956
	<u>\$ 5,586,264</u>	<u>\$ 437,407</u>	<u>\$ 6,023,671</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 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 for administrative and operating expenses of the Commission under the terms of the fund agreement.

North Carolina's Eastern Region Development Commission

Notes to Financial Statements

Note 12. Agency Fund (continued)

The following reflects activity in the fund for the year ended June 30, 2013:

County	Balance June 30, 2012	Loans Made	Principal Repayments	Balance June 30, 2013
Carteret	\$ 1,705,420	\$ -	\$ -	\$ 1,705,420
Craven	2,093,240	-	-	2,093,240
Duplin	1,091,924	-	41,068	1,132,992
Edgecombe	188,867	-	147,347	336,214
Greene	583,285	-	68,112	651,397
Jones	559,204	-	16,017	575,221
Lenoir	171,426	-	-	171,426
Nash	1,697,716	-	180,000	1,877,716
Onslow	960,115	-	126,593	1,086,708
Pamlico	788,067	-	-	788,067
Pitt	2,365,675	-	46,778	2,412,453
Wayne	2,454,788	-	-	2,454,788
Wilson	1,379,148	-	92,853	1,472,001
Total	\$ 16,038,875	\$ -	\$ 718,768	\$ 16,757,643
			Interest earnings due to general fund	5,384
			Total agency fund cash, cash equivalents and investments	<u>\$ 16,763,027</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.

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, 2013 consisted of loan repayments totaling \$718,768, disclosed in Note 12, and various grant disbursements paid from the general fund.

North Carolina's Eastern Region Development Commission

Notes to Financial Statements

North Carolina's Eastern Alliance

On June 13, 2013, the Board approved to contribute \$3,600,000 of the Commission's administrative/operating fund balance to North Carolina's Eastern Alliance due to the future dissolution of the Commission. The Alliance is a nonprofit organization established to promote and enhance economic development activities in the thirteen county region of Carteret, Craven, Duplin, Edgecombe, Greene, Jones, Lenoir, Nash, Onslow, Pamlico, Pitt, Wayne, and Wilson. The \$3,600,000 originated from accumulated unspent administrative/operating fund revenues.

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, 2013, \$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, 2013, and are expected to be disbursed during the fiscal year ended June 30, 2014:

Flex Cap Local Grants

Edgecombe County	\$	20,000
Jones County		20,000
Wilson County		20,000
	\$	<u>60,000</u>

Flex Cap Regional Grants

Lenoir County	\$	50,000
Lenoir County		50,000
	\$	<u>100,000</u>

Subsequent events:

Management has evaluated subsequent events through October 31, 2013, the date on which the financial statements were available to be issued.

On July 26, 2013, North Carolina's General Assembly approved Senate Bill 402 repealing Articles 2 and 4 of Chapter 158 of the North Carolina General Statutes. The Commission will dissolve as of June 30, 2014. See Note 15 for further details.

Note 15. Going Concern

On July 26, 2013, North Carolina's General Assembly approved Senate Bill 402 repealing Articles 2 and 4 of Chapter 158 of the North Carolina General Statutes. The Commission will be dissolved as of June 30, 2014 and shall liquidate its assets of the revolving loan trust fund to the counties of the region in proportion to the amount of the vehicle registration tax levied by the Commission and collected in each county. Remaining assets attributable to an appropriation made by the General Assembly shall revert to the General Fund of the State of North Carolina. Management and the Board will continue to try to convince members of North Carolina's General Assembly to ratify the bill and remove the provisions that dissolve the Commission. Management has evaluated the issue and has determined that it is significant and there is a possibility of the discontinuance of the Commission's operations. These conditions raise substantial doubt about the Commission's ability to continue as a going concern.

Note 16 Change in Accounting Principle

The Commission implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously reported as Assets and Liabilities*, in the year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has now been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 requires that deferred revenues from notes receivable be presented as deferred inflows of resources.

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, 2013

Statement 1
Page 1 of 2

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Restricted intergovernmental:					
Federal grant	\$ 3,999,600	\$ 3,892,474	\$ 346,783	\$ 4,239,257	\$ 239,657
Contributions	192,060	192,060	-	192,060	-
Total revenues	4,191,660	4,084,534	346,783	4,431,317	239,657
EXPENDITURES					
Economic development administration:					
Salaries	1,549,272	1,239,600	223,830	1,463,430	85,842
Fringe benefits	425,950	329,188	74,118	403,306	22,644
Postage	2,094	1,975	465	2,440	(346)
Telephone	44,179	42,571	5,186	47,757	(3,578)
Travel	106,721	108,267	10,805	119,072	(12,351)
Office supplies	38,732	37,465	3,853	41,318	(2,586)
Software & support services	41,237	100,110	5,465	105,575	(64,338)
Advertising	3,135	3,135	-	3,135	-
Printing & graphics	22,902	18,944	1,177	20,122	2,780
Insurance	4,711	3,389	100	3,489	1,222
Professional services	7,293	12,023	1,412	13,435	(6,142)
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	10,331	-	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	100,017	-	100,017	(30,017)
Consultant support	94,845	108,589	-	108,589	(13,744)
Biodiesel plant operation consultant	5,000	5,000	-	5,000	-
Community services study	1,600	18,499	-	18,499	(16,899)
Convention space	4,200	3,802	13,761	17,563	(13,363)

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, 2013

Statement 1
Page 2 of 2

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
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	131,142	29,973	161,115	(8,528)
Total administration	3,165,340	2,888,679	370,145	3,258,824	(93,484)
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	1,126,320	1,257,470	-	1,257,470	(131,150)
Total expenditures	4,291,660	4,146,149	370,145	4,516,294	(224,634)
Revenues over (under) expenditures	(100,000)	(61,615)	(23,362)	(84,977)	15,023
OTHER FINANCING SOURCES (USES)					
Transfer to general fund	-	-	(15,023)	(15,023)	(15,023)
Transfer from general fund	100,000	100,000	-	100,000	-
Total other financing sources (uses)	100,000	100,000	(15,023)	84,977	(15,023)
Revenues and other financing sources over (under) expenditures	\$ -	\$ 38,385	(38,385)	\$ -	\$ -
FUND BALANCE, beginning of year			38,385		
FUND BALANCE, end of year			\$ -		

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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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2013 and the related notes to the financial statements, which collectively comprises the North Carolina's Eastern Region Development Commission's basic financial statements, and have issued our report thereon dated October 31, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Purpose of this Report

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

Cam, Riggs & Ingram, L.L.C.

La Grange, North Carolina
October 31, 2013



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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON 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

Report on Compliance for Each Major Federal Program

We have audited North Carolina's Eastern Region Development Commission compliance 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, 2013. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of North Carolina's Eastern Region Development Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Commission's compliance

Opinion on Each Major Federal Program

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Carly Riggs & Ingram, L.L.C.

La Grange, North Carolina
October 31, 2013



REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON 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

Report on Compliance for Each Major State Program

We have audited North Carolina's Eastern Region Development Commission compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on its major State program for the year ended June 30, 2013. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Commission's major state programs based on our audit of types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133 "Audits of States, Local Governments, and Nonprofit Organizations", as described in the *Audit Manual for Governmental Auditors in North Carolina*, 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 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 on compliance for each major State program. However, our audit does not provide a legal determination on the Commission's compliance

Opinion on Each Major State Program

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major State program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with 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 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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Carly Riggs & Ingram, L.L.C.

La Grange, North Carolina
October 31, 2013

North Carolina's Eastern Region Development Commission
Schedule of Finding and Questioned Costs
June 30, 2013

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial
statements noted ☐ yes ☒ no

Federal Awards

Internal control over major Federal program:

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

Noncompliance material to Federal award noted ☐ yes ☒ 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 ☒ 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 ☒ no

North Carolina's Eastern Region Development Commission
Schedule of Finding and Questioned Costs
June 30, 2013

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

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
June 30, 2013

Section II – Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.

Section IV - State Award Findings and Questioned Costs

None reported.

North Carolina's Eastern Region Development Commission
Corrective Action Plan
June 30, 2013

Section II – Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.

Section IV - State Award Findings and Questioned Costs

None reported.

**North Carolina's Eastern Region Development Commission
Summary Schedule of Prior Audit Findings
June 30, 2013**

No findings reported in the prior year.

North Carolina's Eastern Region Development Commission
Schedule of Expenditures of Federal and State Awards
June 30, 2013

	Federal CFDA Number	Federal Expenditures	State Expenditures	Local Expenditures
FEDERAL AWARDS				
<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	\$ 346,783	\$ -	\$ 23,363

STATE AWARDS

N.C. Department of Commerce Continuation Budget Operations Appropriations Act State Appropriation (Note 2)*	n/a	-	474,899	569,228
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	Loan Balance Outstanding at June 30, 2012	Loans Made	Principal Repayments	Loan Balance Outstanding at June 30, 2013
Duplin	\$ 319,633	\$ -	\$ 41,068	\$ 278,565
Edgecombe	1,334,855	-	147,347	1,187,508
Greene	280,481	-	68,113	212,368
Jones	192,031	-	16,017	176,014
Lenoir	1,450,100	-	-	1,450,100
Nash	450,000	-	180,000	270,000
Onslow	1,657,506	-	126,593	1,530,913
Pitt	176,968	-	46,777	130,191
Wilson	443,458	-	92,853	350,605
Total	\$ 6,305,032	\$ -	\$ 718,768	\$ 5,586,264

* Denotes major State program

North Carolina's Eastern Region Development Commission
Notes to Schedules of Expenditures of Federal and State Awards
June 30, 2013

- 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 \$16,763,027 are currently invested in the State Treasurer's Investment Fund.

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October 31, 2013

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, 2013, and have issued our report thereon dated October 31, 2013. 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 June 28, 2013, 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 June 28, 2013.

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 2012/2013. 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 October 31, 2013.

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.

Carr, Riggs & Ingram, L.L.C.

La Grange, North Carolina

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