



Valeria L. Lee
Chair

Billy Ray Hall
President

To: Committee Members
Joint Legislative Commission of Governmental Operations
Subcommittee on Transportation/Natural and Economic Resources

From: Billy Ray Hall, President

Date: March 15, 2010

The Rural Economic Development Center, Inc. is requesting your consideration of an issue that has arisen regarding its administration of proceeds from the 1998 Clean Water Bond. The Rural Center has been administering these proceeds for more than ten years during which time \$218 million of the Rural Center's \$240 million allocation has been disbursed. As the final disbursements are being made, staff from the Rural Center and the N. C. Department of Commerce have worked together to review and reconcile the total remaining contractual obligations by funding category (Supplemental, Capacity or Unsewered Communities) currently reflected in the Rural Center's financial records to the remaining budget availability by category reflected in the Department of Commerce financial records.

During the reconciliation process, some minor differences between the two accounting systems have been discovered. In total, grant payments made to date and the current outstanding grant obligations of the Rural Center agree exactly to the Department of Commerce payment records and remaining budget. However, the remaining budget available by category in the Department of Commerce records does not exactly match the outstanding grant obligations by category in the Rural Center's records. In certain instances, documentation supporting disbursement requests transmitted to the Department of Commerce did not clearly identify the category of funding from which the disbursements were to be made. As a result, these disbursements were not applied to the correct budget categories in the Department of Commerce accounting records.

North Carolina

Rural Economic

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Additionally, during the fall of 2008, center program staff identified a need to reallocate funds from the Unsewered funding category to the Supplemental funding category. It was determined that funds made available from the deobligation of a previously awarded Unsewered Communities Grant could be used more effectively to make additional supplemental awards. This type of transfer between categories is allowed pursuant to S.L. 2001-416 following approval of the Rural Center's Board of Directors and consultation with the Joint Legislative Commission of Governmental Operations. The Rural Center's Board of Directors approved this reallocation on December 10, 2008. No transfer has been made between N. C. Department of Commerce budget categories for this reallocation pending formal approval from the Joint Legislative Commission of Governmental Operations.

We believe that the most expedient way to resolve these two issues and square the financial records between the Rural Center and the N.C. Department of Commerce is to request that the Joint Legislative Commission of Governmental Operations authorize

execution of a budget amendment that will make a final reallocation between the Clean Water Bond funding categories in the N.C. Department of Commerce accounting system. This reallocation will adjust the balances in the budget categories to the amounts currently obligated by the center as shown in the attached schedule.

Thank you for your consideration of this request. We will be happy to answer any questions or provide any additional information you might need for review.

Rural Economic Development Center, Inc.
Allocation of Clean Water Bond Funds

	Supplemental	Capacity	Unsewered	Total
Original award: S.L. 1998-132	48,000,000	12,000,000	55,000,000	115,000,000
Reallocation #1: S.L. 2000-156	22,460,000	5,620,000	25,920,000	54,000,000
Reallocation #2: S.L. 2001-416	35,612,523	200,000	35,612,523	71,425,046
Total	106,072,523	17,820,000	116,532,523	240,425,046
Requested reallocations:				
Reallocation required to correct for classification differences between REDC and NC Department of Commerce accounting records.	(1,414,919)	582,806	832,113	-
Reallocation pursuant to Section 6 of S.L. 2001-416 of \$2,304,288 from Unsewered to Supplemental - approved by REDC Executive Committee on December 10, 2008.	2,304,288		(2,304,288)	-
Total reallocation request	889,369	582,806	(1,472,175)	-
Adjusted allocation	106,961,892	18,402,806	115,060,348	240,425,046
Disbursements as categorized by the N. C. Department of Commerce through February 2010.	(100,433,033)	(17,799,932)	(100,245,440)	(218,478,405)
Remaining balance to disburse pursuant to REDC accounting and grant records.	6,528,859	602,874	14,814,908	21,946,641