

# CARTERET COUNTY NORTH CAROLINA



Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2017

CARTERET COUNTY  
NORTH CAROLINA

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2017

Prepared By Finance Department  
Dee Meshaw, Assistant County Manager  
Finance Director

# Introductory Section

# **Carteret County, North Carolina**

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2017

Prepared by the Finance Department  
Dee Meshaw, Assistant County Manager Finance



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## **Introductory Section**

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**Letter of Transmittal**

**List of Principal Officials**

**Organizational Chart**

**Map of Carteret County, North Carolina**

**GFOA Certificate of Achievement**

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# Management Discussion and Analysis

# CARTERET COUNTY FINANCE

**Denise H. Meshaw, CPA**  
Assistant County Manager  
Finance Department



Tel: (252) 728-8410  
Fax: (252) 728-8424  
deem@carteretcountync.gov  
www.carteretcountync.gov

December 14, 2017

To the Citizens of Carteret County:

State law requires that all general-purpose local governments publish within four months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America ("GAAP") and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the County of Carteret (the "County") for the fiscal year ended June 30, 2017.

This report consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County's financial statements have been audited by RSM LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2017 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the County's financial statements for the fiscal year ended June 30, 2017, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Comprehensive Annual Financial Report. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statement in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the County**

Carteret County, incorporated in 1722, is a growing county located on the central coastline of North Carolina with approximately 70,000 residents living in or around municipalities and rural "Down East" maritime communities. Carteret County contains 526 square miles of land area and a coastline nearly 80 miles long. The County is bordered on the north by the Pamlico Sound and on the east and south by the Atlantic Ocean. Eleven municipalities are located within the County, with Morehead City being the largest. Beaufort, the third oldest town in North Carolina, serves as the County seat.

Carteret County has established itself as a premier vacation spot, with attractions such as Fort Macon State Park, North Carolina Aquarium, North Carolina Maritime Museum, and Cape Lookout National Seashore. The County has a commissioners/manager form of government. Districts elect the seven members of the Board and serve staggered terms. Policy-making and legislative authority are vested in the governing board. The governing board is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the County's manager and attorney. The County manager is responsible for carrying out the policies and ordinances of the governing board, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments.

The County provides a full range of services including public safety, social services and health services, cultural and recreational activities, general administration, and other. The Board of County Commissioners also extends financial support to certain boards, agencies, and commissioners to assist their efforts in servicing citizens. Among these are the Carteret County Board of Education, the Craven-Pamlico-Carteret Regional Library, Carteret Community College, the Economic Development Council, and Onslow Carteret Behavior Center.

The annual budget serves as the foundation for the County's financial planning and control. All agencies of the County are required to submit requests for appropriation to the county manager's office on or before the end of February each year. The appropriated budget is prepared by fund, function (e.g. public safety), and department (e.g. law enforcement). The legal level for the General Fund budget is the department level, and all other funds legal level of control is the fund level. Regarding the General Fund, department heads may make transfers of appropriations within a department. The County manager may transfer amounts between objects of expenditures and revenues within a department without limitation. Amounts up to \$20,000 between departments of the same fund per occurrence may be transferred by the manager; however, amounts greater than \$20,000 per occurrence require Commission approval. In addition, amounts between funds require Commission approval. Contingency appropriation transfers require Commission approval except for the purpose of funding salary and benefits adjustments consistent with the Carteret County personal policy. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 38 as part of the basic financial statements for the governmental funds. Also included in the governmental fund subsection are project-length budget-to-actual comparisons for each governmental fund for which a project-length budget has been adopted (i.e. the special revenue funds and the capital projects funds). Annually adopted funds are as follows: General Fund, Occupancy Tax, Emergency Telephone System, Rescue Squad Taxing District, Fire Taxing Districts, Salter Path Taxing District, Water Taxing District, County Capital Reserve, County Capital improvements, County Facilities / Debt Reserve, School Special Project, and Water Fund. All other funds excluding agency funds have been adopted as project length budgets and are listed as follows: CDBG Scatter Site, HMGP 2012, 2014 Flood Mitigation, County Construction Project, 2015 School Bond Project, and Carteret Community College Construction Fund..

## **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates.

## **Local Economy**

The County economy continues to improve. Annual unemployment average was 4.83% for the County compared to 5.67% in the prior year, and those rates are slightly higher than the state's average unemployment rate of 4.79%. The tourism industry continues to perform well with an average annual economic impact of \$351.16 million, a 4.20% increase from the previous year. Carteret County ranks thirteenth in the state for tourism. In addition, the county continues to be diverse with manufacturing, distribution, research, construction and marine trades.

## **Industrial Parks**

The Jarrett Bay Marine Industrial Park is approximately 175 acres north of Beaufort on the Intracoastal Waterway. The Park concentrates on the boat industry, and has rapidly evolved into one of the most comprehensive one stop service supply facilities on the east coast. Jarrett Bay Boatworks Inc. added an ultra-modern 30,000 square foot indoor heated repair facility that is designed to accommodate up to two 100 foot vessels side by side with a 55 foot clearance. This addition brings Jarrett Bay's building square footage to 125,000. The Park continues to expand with 98% of the land sold.

Crystal Coast Business Park is located off US Route 70 in Morehead City. The park is 58 acres with eleven parcels. Nine parcels have been sold. The County continues its efforts to recruit businesses to this park. Parcel sizes vary from approximately 2 acres to over 10 acres.

## **Morehead City State Port**

The Morehead City Port is one of the deepest ports on the east coast with a forty-five foot depth and only four miles from the Atlantic Ocean. The port handles both break bulk and bulk cargo and has break bulk tonnage capacity of 1,080,000 and tonnage capacity of 2,730,000. The Port is the second largest importer in the country for natural rubber. Commodities such as rubber, phosphate, lumber, steel, and wood pulp go through the port. The Port employs over 500 employees.

## **Marine Science**

The marine science cluster in Carteret County is anchored by Duke University Marine Lab, University of North Carolina Institute of Marine Science, North Carolina State University Center for Marine Science and Technology (CMAST) and the National Oceanic and Atmospheric Administration (NOAA) Center for Coastal Fisheries and Habitat Research. The four institutions have 162,645 square feet of marine research facilities and 40 individual laboratories. Marine science in Carteret County accounts for over \$58 million in revenue.

## **Retail**

Retail continues to expand in Carteret County. The County continues to see modest expansion in locally owned restaurants and retail.

The following table lists the 10 largest employers in the County in 2017:

<b>Employer</b>	<b>Service</b>	<b>Employment Range</b>
Carteret County Public Schools	Education	1000+
Carteret General Hospital	Health Services	1000+
Carteret County	Government Service	500-999
Wal-Mart Associates Inc	Retail	250-499
Carteret Community College	Education	250-499
Big Rock Sports LLC	Retail	250-499
Lowes Home Improvements	Retail	250-499
Food Lion	Retail	250-499
Big Rock Sports LLC	Retail	250-499
Bally Refrigerated Boxes Inc	Manufacturing	100-249

Source: NC Commerce LEAD Division  
2017 Employees are full time

During the last ten years, the County's expenses have increased with the most emphasis on public safety and education. These areas have increased 4.88% in public safety and 5.15% in education operating expenses. As a result of education funding, Carteret County Schools consistently ranks in the top fifteen school systems in local funding ranking in the state. In public safety, funding increases have resulted in greater levels of services with first responders such as paramedics, the Sheriff's Department and 911 telephone system enhancements. The funding increases have provided resources for more staff and staff training, as well as needed equipment.

During this same ten year period, revenues have remained stable with modest increases in fees and taxes. Most increased revenue growth has occurred naturally, and is not due to the Board of Commissioners levying tax and fee increases. Fees and taxes are set annually to support the adopted budget's services and expenses.

### **Long-Term Financial Planning**

The County's total operating budget for the fiscal year ending June 30, 2018 totals \$112,203,600 with a General Fund tax rate of \$.31 per \$100 of assessed value, based on a total valuation of \$14.84 billion. The County's assessed value represents approximately 1.16% increase from the assessed value used in the June 30, 2017 budget. The increase is due to modest construction in the County. The County anticipates modest growth in its tax base going forward. For the County's operating budget for the fiscal year ending June 30, 2019, it is anticipated that the tax rate would need to be between \$.31 and \$.32 per \$100 of the current assessed value to maintain the current level of service.

The County may elect to use available fund balance for some capital projects and improvements, but such use will be within the constraints of the County's fund balance policy, which requires the County to maintain a 15% unassigned fund balance in the General Fund.

### **Major Initiatives**

The County has several initiatives for fiscal year 2018. In fiscal year 2015, the County developed a facilities master plan to address space needs and current building conditions for social services, courts, Sheriff Division, and County administration needs. The plan is an approximate \$79 million plan that is broken out in multiple phases over a 15 year period. The County Board of Commissioners has appropriated funding, engaged architect services for a new General Services building that will house public works, public buildings, and the transportation departments. Two of these departments are located in a building that is over 40 years old. This facility will be completed in fiscal year 2018. In addition, the Board is reviewing and evaluating other needs in the plan; however, no formal action has been taken at

this time. If the other recommendations in the plan are implemented over time, the County anticipates funding the plan with a combination of long term debt and pay as you go. In addition to the facilities master plan, the county continues to fund park improvements, other building improvements, as well as capital improvements for our schools and community college.

The County continues its initiatives in the fiscal year 2018 budget to improve public safety, transportation, waterway dredging, and human services. The fiscal year 2018 budget funds equipment and expands staffing levels.

In fiscal year 2013, the County completed its \$3.51 million water system improvement project. In fiscal year 2018, the County continues to fund pay as you go capital improvements and maintenance to improve efficiency in operations. Due to the improvements completed in 2013, the County does not have any major water system projects planned for the next few years.

### **Award and Acknowledgements**

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to Carteret County for its Comprehensive Annual Financial Report for the year ended June 30, 2016. This was the sixteenth consecutive year that Carteret County has received this prestigious award. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the County also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year ended June 30, 2017. In order to qualify for the Distinguished Budget Presentation Award, the County's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

In summary, this Comprehensive Annual Financial Report provides a source of information to citizens, the Board of Commissions, other governmental agencies, and investors and creditors, all of whom rely upon it for decision making and the opportunity to learn more about Carteret County's financial condition.

Much appreciation is expressed to the Finance Department's staff and RSM LLP without whose dedicated assistance this report could not have been produced. Gratitude goes to the Board of Commissioners for their continued interest and support throughout the past year.

Sincerely,



Dee H. Meshaw  
Assistant County Manager Finance

# CARTERET COUNTY, NORTH CAROLINA

## LIST OF PRINCIPAL OFFICIALS JUNE 30, 2017

### BOARD OF COMMISSIONERS

MARK MANSFIELD  
Chairman  
Morehead City, North Carolina

ROBIN COMER  
Vice Chairman  
Stella, North Carolina

BOB CAVANAUGH  
Morehead City, North Carolina

JIMMY FARRINGTON  
Emerald Isle, North Carolina

JONATHAN ROBINSON  
Atlantic, North Carolina

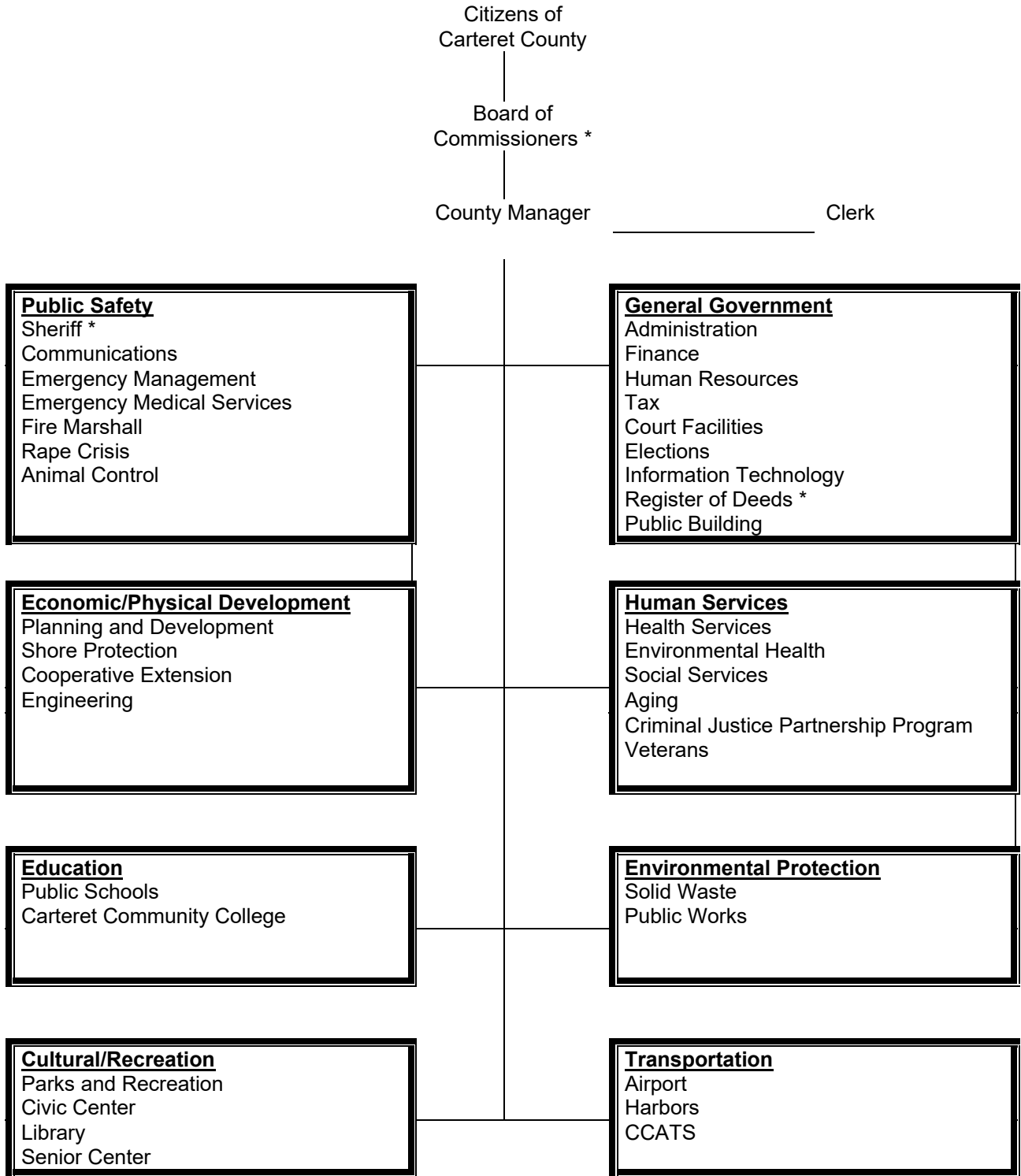
BILL SMITH  
Newport, North Carolina

ED WHEATLY  
Beaufort, North Carolina

### COUNTY OFFICIALS

Tommy Burns	County Manager
Dee H. Meshaw	Assistant County Manager Finance Director
Eugene Foxworth	Assistant County Manager, General Services
Asa Buck III	Sheriff
Karen Hardesty	Register of Deeds
Cynthia Holman	Human Services Director
Stephen Rae	Emergency Management Director
Ray Hall	Information Technology Director
Carl Tilghman	Tax Administrator
Tina Purifoy	Parks and Recreation/ Civic Center Director

**Carteret County, North Carolina  
Organizational Chart**



\* Elected Officials

**MAP OF  
CARTERET COUNTY, NORTH CAROLINA**



<b><u>Carteret County</u></b>	
Population	70,401
Area	526 sq. miles
Date Est.	1722
County Seat	Beaufort



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Carteret County  
North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO



# Basic Financial Statements

## Government – Wide Financial Statements

### Fund Financial Statements

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

Notes to Financial Statements

## Required Supplemental Information

# **Financial Section**

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**Independent Auditor's Report**

**Management's Discussion and Analysis  
(Unaudited)**

**Basic Financial Statements**

**Notes to Financial Statements**

**Required Supplementary Information**

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## Independent Auditor's Report

To the Honorable Chairman and  
Members of the Board of Commissioners  
Carteret County, North Carolina

RSM US LLP

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Carteret County, North Carolina (the County) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County'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 did not audit the financial statements of Carteret County Tourism Development Authority, Beaufort-Morehead City Airport Authority, Carteret County Alcoholic Beverage Control (ABC) Board or Carteret County General Hospital Corporation, which collectively represent 100% of the assets, net position and revenues of the aggregate discretely presented component units of the County. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Carteret County Tourism Development Authority, Beaufort-Morehead City Airport Authority, Carteret County ABC Board and Carteret County General Hospital Corporation, is based solely on the reports of the other auditors. 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 from material misstatement. The financial statements of Carteret County ABC Board and Carteret County General Hospital Corporation were not audited in accordance with *Government Auditing Standards*.

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 audit 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 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.

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AUDIT | TAX | CONSULTING

## Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Carteret County, North Carolina as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund and the occupancy tax fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in Note 21 to the financial statements, in the year ended June 30, 2017, the County adopted new accounting guidance provided in Governmental Accounting Standards Board Statement Number 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Our opinions are 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 on pages 17 through 27, the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, the Other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions, the Local Governmental Employees' Retirement System Schedules of the County's Proportionate Share of the Net Pension Asset (Liability) and County Contributions, and the Register of Deeds' Supplemental Pension Fund Schedules of the County's Proportionate Share of the Net Pension Asset and County Contributions on pages 103 through 110 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The financial statements and schedules listed in the financial section of the table of contents as "other supplemental financial data," the Schedule of Expenditures of Federal and State Awards, as required by Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act in the compliance section of the table of contents, and the introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental financial data and the Schedule of Expenditures of Federal and State Awards identified in the preceding paragraph are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors the financial statements and schedules listed as other supplemental financial data and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and statistical section of the Comprehensive Annual Financial Report have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017, on our consideration of Carteret County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Carteret County's internal control over financial reporting and compliance.

*RSM US LLP*

Morehead City, North Carolina  
December 14, 2017



## Carteret County, North Carolina

### Management's Discussion and Analysis (Unaudited) June 30, 2017

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As management of the County, we offer readers of Carteret County's (the "County") financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

#### Financial Highlights

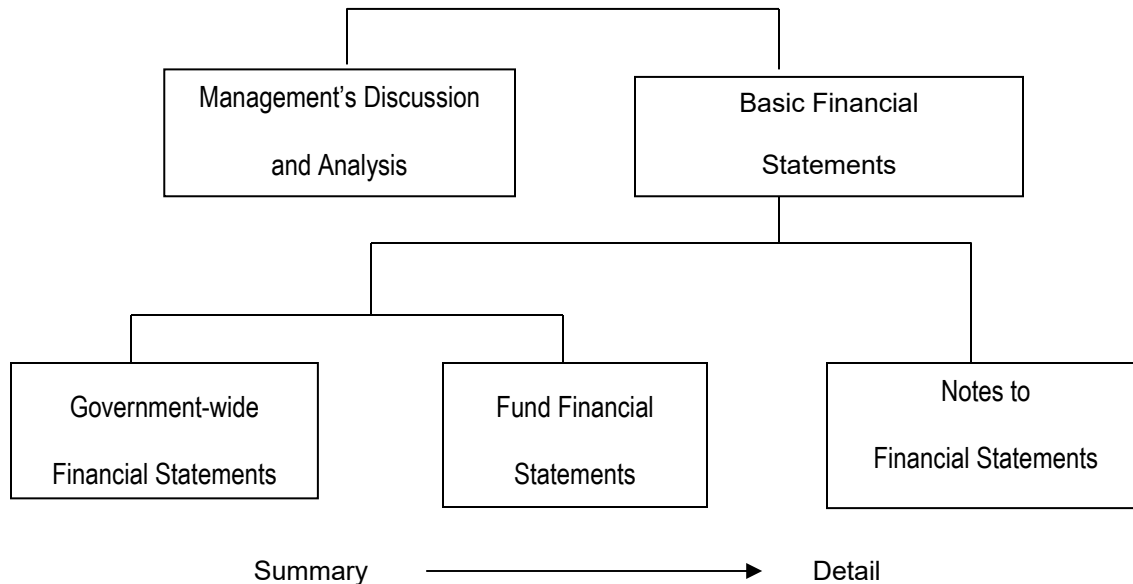
- The assets and deferred outflows of resources of Carteret County (primary government) were greater than its liabilities and deferred inflows of resources at the close of the fiscal year by \$54,971,380 (*net position*).
- The government's total net position increased by \$3,842,885, due to revenues such as sales taxes and charges for services exceeded projections, and expenses were less than projected.
- As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$69,170,671, after a net increase in fund balance of \$268,939. Approximately 60.36 percent of this total amount or \$41,748,115 is restricted, committed or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$28,626,430 or 36.53 percent of total General Fund expenditures, excluding other financing uses, for the fiscal year.
- The County's total long-term debt (Figure 5) decreased by \$1,369,199. The County retired debt principal that resulted in a net decrease in long term debt.
- The County maintained its AA+ (Standard & Poor's and Fitch Ratings) and Aa1 (Moody's Investor Services) for the sixth year.

#### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County 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 County.

Required Components of Annual Financial Report

Figure 1



**Basic Financial Statements**

The first two statements in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short- and long-term information about the County's financial status.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statement.

The next section of the basic financial statements is the **notes**. The notes to financial statements explain in detail some of the data contained in those statements. Following the notes is the **required supplemental information**. This section contains funding information about the County's pension and other postemployment benefit plans.

After the required supplemental information, additional **supplemental information** is provided to show details about the County's non-major governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

### Government-Wide Financial Statements

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

The two government-wide statements report the County's net position and how it has changed. Net position is the difference between the County's total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) discretely presented component units. The governmental activities include most of the County's basic services such as general administration, human services, education, public safety and public works. Property and other taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the water services offered by the County. The final category is the component units. Although legally separate from the County, the ABC Board, Carteret General Hospital, Tourism Development Authority and the Airport are important to the County because the County exercises control over the Boards by appointing their members.

The government-wide financial statements are on pages 30-33 of this report.

### Fund Financial Statements

The fund financial statements provide a more detailed look at the County'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 County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or noncompliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of the County can be divided into three categories: governmental funds, proprietary 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 County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a current financial resources 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 County's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

## Carteret County, North Carolina

### Management's Discussion and Analysis (Unaudited) June 30, 2017

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The County 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 County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County 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 Statement of Revenues, Expenditures and Changes in Fund Balance. 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 final budget and the actual resources and charges. The governmental fund financial statements are on pages 34 - 39 of this report.

**Proprietary Funds** – The County has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for its water activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. The proprietary fund financial statements are on pages 40 - 43 of this report.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The County has four agency funds. The fiduciary fund financial statements are on page 44 of this report.

**Notes to Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements are on pages 45 - 99 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its law enforcement employees. Required supplementary information can be found beginning on page 101 of this report.

#### **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$54,971,380 as of June 30, 2017. The County's net position increased by \$3,842,885 for the fiscal year ended June 30, 2017. Net position is reported in three categories: net investment in capital assets of \$26,731,643, restricted net position of \$31,325,245, and unrestricted net position (deficit) of (\$3,085,508).

**Carteret County, North Carolina**

**Management’s Discussion and Analysis (Unaudited)  
June 30, 2017**

The net investment in capital assets category is defined as the County’s investment in County owned capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County’s investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since capital assets cannot be used to liquidate these liabilities.

Another category of net position is restricted net position. This represents resources that are subject to external restriction on how they may be used. The final category of net position is unrestricted net position. This balance may be used to meet the government’s ongoing obligation to citizens and creditors. At June 30, 2017, the unrestricted net position of governmental activities reported a deficit of \$3,998,944. Of the County’s net position, \$31,325,245 represents resources that are subject to external restrictions on how they are to be used.

As with many counties in the State of North Carolina, the County’s deficit in unrestricted net position is due primarily to the portion of the County’s outstanding debt incurred for the County Board of Education (the “school system”) and Carteret Community College. Under North Carolina law, the County is responsible for providing capital funding for the school system and the community college. The County has chosen to meet its legal obligation to provide the school system capital funding by using a mixture of County funds, general obligation debt, and installment debt. The assets are funded by the County; however, the assets are owned and utilized by the school system and the community college, and are reported by those entities. The County, as the debt issuing government, acquires no capital assets; the County has incurred a liability without a corresponding increase in assets. At the end of the fiscal year, approximately \$39.44 million of the outstanding debt on the County’s financial statements was related to assets included in the school system’s and community college’s financial statements. However, as the majority of this school system and community college related debt is general obligation debt, it is collateralized by the full faith, credit, and taxing power of the County. Accordingly, the County is authorized and required by State law to levy ad valorem taxes, without limit as to rate or amount, as may be necessary to pay the debt service on its general obligation bonds. Principal and interest requirements will be provided by an appropriation in the year in which they become due.

**The County's Net Position**

**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 79,203,438	\$ 78,318,769	\$ 1,095,660	\$ 1,067,783	\$ 80,299,098	\$ 79,386,552
Capital assets	22,377,762	24,689,921	7,164,932	7,531,539	29,542,694	32,221,460
<b>Total assets</b>	<b>101,581,200</b>	<b>103,008,690</b>	<b>8,260,592</b>	<b>8,599,322</b>	<b>109,841,792</b>	<b>111,608,012</b>
<b>Total deferred outflows of resources</b>	<b>7,713,640</b>	<b>3,795,081</b>	<b>60,751</b>	<b>14,494</b>	<b>7,774,391</b>	<b>3,809,575</b>
Long-term liabilities						
outstanding	54,213,887	55,458,216	2,532,001	2,656,871	56,745,888	58,115,087
Other liabilities	5,330,013	5,001,164	151,787	141,899	5,481,800	5,143,063
<b>Total liabilities</b>	<b>59,543,900</b>	<b>60,459,380</b>	<b>2,683,788</b>	<b>2,798,770</b>	<b>62,227,688</b>	<b>63,258,150</b>
<b>Total deferred inflows of resources</b>	<b>414,736</b>	<b>653,317</b>	<b>2,379</b>	<b>6,588</b>	<b>417,115</b>	<b>659,905</b>
Net position:						
Net investment in capital assets	22,009,903	24,089,921	4,721,740	4,900,315	26,731,643	28,990,236
Restricted	31,325,245	31,480,559	-	-	31,325,245	31,480,559
Unrestricted (deficit)	(3,998,944)	(9,879,406)	913,436	908,143	(3,085,508)	(8,971,263)
<b>Total net position</b>	<b>\$ 49,336,204</b>	<b>\$ 45,691,074</b>	<b>\$ 5,635,176</b>	<b>\$ 5,808,458</b>	<b>\$ 54,971,380</b>	<b>\$ 51,499,532</b>

**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2017**

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**Governmental activities:** Governmental activities increased the County's net position by \$4,016,167 from fiscal year 2017. Key elements of this increase are as follows:

- Increases in property tax revenue were approximately \$2.48 million due to Board of Commissioners increasing the General Fund ad valorem tax rate one cent to 31 cents, and growth in the tax base.
- Increases in operating grants were approximately \$1.20 million from the prior fiscal year. The growth was mostly in human services funding.
- Increases in charges for services were approximately \$.37 million from the previous year. Most of the increase was in Register of Deeds fees and building and inspection fees.
- Overall, expenses increased approximately \$8.36 million from the previous year. The largest area of increase was in education, \$3.82 million. This was due to increases in operating as well capital contributions to the Public School System and Community College. Another area of increase was \$2.03 million in public safety. The remaining increase were in areas such as general government, transportation, and environmental protection.
- Many expense categories were less than projected, such as general government, public safety, transportation, economic and physical development, human services, cultural and recreation, as well as contingency that resulted in an increase in net position.

**Business-type activities:** Business-type activities decreased net position by \$173,282. Even though revenues were greater than projected, and expenses were less than projected, net position decreased for fiscal year ending June 30, 2017. The primary factor for the decrease was due to depreciation expense and needed plant maintenance for the water system. The County completed a major water system improvement fiscal year ending June 30, 2013, and now those assets are being depreciated.

**Carteret County, North Carolina**

**Management's Discussion and Analysis (Unaudited)  
June 30, 2017**

**The County's Changes in Net Position**

**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 7,469,796	\$ 7,102,136	\$ 584,344	\$ 576,598	\$ 8,054,140	\$ 7,678,734
Operating grants and contributions	14,834,495	13,635,760	-	-	14,834,495	13,635,760
Capital grants and contributions	203,644	390,709	-	-	203,644	390,709
General revenues:						
Property taxes	52,093,862	49,616,653	-	-	52,093,862	49,616,653
Other taxes	22,705,181	22,191,379	-	-	22,705,181	22,191,379
Other	1,754,740	1,649,618	5,429	3,647	1,760,169	1,653,265
<b>Total revenues</b>	<b>99,061,718</b>	<b>94,586,255</b>	<b>589,773</b>	<b>580,245</b>	<b>99,651,491</b>	<b>95,166,500</b>
<b>Expenses:</b>						
General government	9,236,447	7,278,369	-	-	9,236,447	7,278,369
Public safety	20,595,208	18,561,573	-	-	20,595,208	18,561,573
Transportation	1,837,842	1,066,561	-	-	1,837,842	1,066,561
Economic and physical development	5,691,825	7,064,127	-	-	5,691,825	7,064,127
Environmental protection	3,671,733	2,060,267	-	-	3,671,733	2,060,267
Human services	16,666,930	16,754,822	-	-	16,666,930	16,754,822
Cultural and recreation	4,222,782	4,452,951	-	-	4,222,782	4,452,951
Education	31,315,293	27,494,565	-	-	31,315,293	27,494,565
Interest on long-term debt	1,452,491	1,594,653	-	-	1,452,491	1,594,653
Water	-	-	1,118,055	1,045,568	1,118,055	1,045,568
<b>Total expenses</b>	<b>94,690,551</b>	<b>86,327,888</b>	<b>1,118,055</b>	<b>1,045,568</b>	<b>95,808,606</b>	<b>87,373,456</b>
<b>Increase (decrease) in net position before transfers</b>	<b>4,371,167</b>	<b>8,258,367</b>	<b>(528,282)</b>	<b>(465,323)</b>	<b>3,842,885</b>	<b>7,793,044</b>
Transfers	(355,000)	(324,000)	355,000	324,000	-	-
<b>Increase (decrease) in net position</b>	<b>4,016,167</b>	<b>7,934,367</b>	<b>(173,282)</b>	<b>(141,323)</b>	<b>3,842,885</b>	<b>7,793,044</b>
Net position, beginning, previously reported	45,691,074	37,756,707	5,808,458	5,949,781	51,499,532	43,706,488
Restatement - accounting change	(371,037)	-	-	-	(371,037)	-
Net position, July 1, restated	45,320,037	37,756,707	5,808,458	5,949,781	51,128,495	43,706,488
Net position, June 30	\$ 49,336,204	\$ 45,691,074	\$ 5,635,176	\$ 5,808,458	\$ 54,971,380	\$ 51,499,532

**Financial Analysis of the County's Funds**

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

## **Carteret County, North Carolina**

### **Management's Discussion and Analysis (Unaudited) June 30, 2017**

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The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance in the General Fund was \$28,626,430, while total fund balance reached \$58,845,954. 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. The County currently has an unassigned fund balance of 36.53 percent of general fund expenditures, while total fund balance represents 75.16 percent of that same amount. The County's unassigned fund balance increased \$684,968. When the budget was adopted, fund balance was planned as the funding source for many capital projects and improvements for public schools, community college, and county. However, revenues exceeded estimates and expenditures were less than estimated and that resulted in unassigned fund balance increase. Revenues exceeded budgeted amounts by approximately \$2.58 million, with most of the amount derived from sales taxes, permits and fees, sales and services, intergovernmental, and property taxes. In addition to revenues exceeding the budget, many function level expenditures were less than the budget amount by approximately \$4.05 million. Human services, economic development, public safety, and general government functions had the greatest amounts coming in under budget.

At June 30, 2017, the governmental funds of the County reported a combined fund balance of \$69,170,671, a \$268,939 increase from last year. The primary reason for this increase is due to the increases in restricted fund balances such as restricted for beach nourishment in the General Fund that was offset by spending restricted fund balances in special revenue and capital funds.

#### **General Fund Budgetary Highlights**

During fiscal year 2017, the County's financial picture was good. Revenues were more than budgeted by 2,581,007. Ad valorem taxes, fees, sales and services, intergovernmental, and sales taxes revenues made up most of the positive variance. In addition, interest and miscellaneous exceeded the budget amounts as well. Through conservative management and prioritizing our expenditures and capital outlay, the County finished the year in sound financial condition.

The County revised the budget on several occasions. Generally, budget amendments fall into one of four 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; 3) increases in appropriations that become necessary to maintain services; and 4) to increase debt service for refunding existing debt. Total amendments to the General Fund increased estimated revenues by \$312,535 and expenditure appropriations by \$1,112,071. The appropriations increase was mostly due to the increases in general government, public safety, economic and physical development, and the County's human services departments.

The County's expenditures were less than the budgeted amount by \$4.05 million, and most of the savings were in the human services programs of \$1.84 million, public safety programs of \$.76 million, as well as \$1.45 million in general government, economic and physical development, transportation, environmental protection, debt service, and culture and recreation.

**Carteret County, North Carolina**

**Management's Discussion and Analysis (Unaudited)  
June 30, 2017**

**Proprietary Funds.** The County's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water Fund at the end of the fiscal year was \$913,436. The increase in unrestricted net position is due to net investment in capital assets decreased from the previous year which resulted in unrestricted net position increasing. Expenses were less than projected; however, net position decreased due to depreciation expense. As in previous years, the Water Fund is not self-supporting and relies on the water taxing district revenues to transfer into the Water Fund. In fiscal year 2017, \$355,000 was transferred from the water taxing district, \$31,000 more than the previous year. The transfer increase was necessary due to plant maintenance needs.

**Capital Asset and Debt Administration**

**Capital assets:** The County's investment in capital assets for its governmental and business-type activities as of June 30, 2017, totals \$29,542,694 (net of accumulated depreciation). These assets include land, buildings, automotive equipment, office and other equipment, and water plant and lines.

Major capital asset transactions during the year include:

- Park improvements
- Purchase of vehicles in departments including six Sheriff Department vehicles
- Technology equipment
- Voting equipment
- Construction in progress was design services for the County general services / public works facility.

**The County's Capital Assets**

**Figure 4**

Additional information on the County's capital assets can be found in Note 5 of the basic financial statements.

	Carteret County's Capital Assets (net of depreciation)					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 5,090,253	\$ 6,213,799	\$ 222,608	\$ 222,608	\$ 5,312,861	\$ 6,436,407
Buildings	6,978,574	8,767,343	1,153,822	1,224,464	8,132,396	9,991,807
Water lines	-	-	5,762,761	6,040,309	5,762,761	6,040,309
Vehicles	1,155,614	1,213,079	6,095	10,666	1,161,709	1,223,745
Equipment	1,109,866	960,410	19,646	33,492	1,129,512	993,902
Other improvements	5,005,129	5,555,186	-	-	5,005,129	5,555,186
Leasehold improvements	1,692,975	1,822,497	-	-	1,692,975	1,822,497
Construction in progress	1,345,351	157,607	-	-	1,345,351	157,607
<b>Total</b>	<b>\$ 22,377,762</b>	<b>\$ 24,689,921</b>	<b>\$ 7,164,932</b>	<b>\$ 7,531,539</b>	<b>\$ 29,542,694</b>	<b>\$ 32,221,460</b>

## Carteret County, North Carolina

### Management's Discussion and Analysis (Unaudited) June 30, 2017

#### General Obligation, Capital Leases and Installment Notes Payable

**Long-Term Debt.** As of June 30, 2017, the County had total general obligation bonded debt outstanding of \$29,410,000, all of which is debt backed by the full faith and credit of the County. All other debt is covered by pledged collateral and is subject to appropriation. A summary of total long-term debt is shown in Figure 5.

**Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 29,410,000	\$ 33,820,000	\$ -	\$ -	\$ 29,410,000	\$ 33,820,000
Certificate of participation	2,175,000	2,630,000	-	-	2,175,000	2,630,000
Revenue bond	-	-	997,000	1,014,000	997,000	1,014,000
Bond premiums	2,417,445	2,768,620	-	-	2,417,445	2,768,620
Installment note payable	8,382,789	10,031,656	1,446,192	1,617,224	9,828,981	11,648,880
Compensated absences	1,370,858	1,336,038	20,924	12,981	1,391,782	1,349,019
Net pension liability (LGERS)	6,103,441	1,149,396	67,885	12,666	6,171,326	1,162,062
Total pension liability (LEOSSA)						-
pension obligations	968,325	527,281	-	-	968,325	527,281
Net OPEB obligation	3,386,029	3,195,225	-	-	3,386,029	3,195,225
<b>Total long-term debt</b>	<b>\$ 54,213,887</b>	<b>\$ 55,458,216</b>	<b>\$ 2,532,001</b>	<b>\$ 2,656,871</b>	<b>\$ 56,745,888</b>	<b>\$ 58,115,087</b>

The County's total debt decreased \$1,369,199 during the past fiscal year. The decrease is due to retiring debt principal.

The County's most recent bond ratings are shown below:

Moody's Investor Services	Aa1
Standard & Poor's	AA+
Fitch IBCA	AA+

These bond ratings are a clear indication of the sound financial condition of the County. This achievement is a primary factor in keeping interest costs low on the County's outstanding debt.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin at June 30, 2017, for the County is \$1,135,246,766.

Additional information regarding the County's long-term debt can be found in Note 9 on pages 69 - 76 of this report.

#### Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the County. On June 30, 2017, the unemployment rate for the County averaged 4.83%, compared to the 5.67% for fiscal year 2016. These rates are slightly higher than the state's average unemployment rate of 4.79% for fiscal year 2017. The County is seeing modest residential and commercial development. In addition, the County is realizing increases in sales tax revenues. This modest growth in development combined with other revenue increases, has allowed the County to continue meeting its capital needs and demands for services with the no property tax increase in the fiscal year ending June 30, 2018. The County adopted an ad valorem tax rate of \$.31 cents per \$100 assessed value in fiscal year 2018.

## Carteret County, North Carolina

### Management's Discussion and Analysis (Unaudited) June 30, 2017

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#### Budget Highlights for the Fiscal Year Ending June 30, 2017

**Governmental Activities:** The County has approved a \$90.69 million general fund budget for fiscal year 2018, which represents a \$1.71 million or 1.92% increase from fiscal year 2017 budget. The net increase in the budget is primarily due funding for waterway dredging, school capital, human services, and public safety increases. In addition, the Board appropriated funding for staff performance based pay increases.

In the budget, the County's Board of Commissioners maintained the General Fund 31 cent ad valorem property tax rate per \$100 assessed valuation. Current year tax revenues are projected to generate \$45.04 million. Due to growth in sales tax revenue, the County budgeted a modest 3.0% increase that generates approximately \$13.58 million in revenue. All revenues are budgeted conservatively, and sales and services and fees are budgeted with small growth from the previous fiscal year. The fiscal year 2018 General Fund budgets approximately \$5.21 million fund balance appropriation. This amount of fund balance is primarily due to funding public school and community college capital, as well as county capital improvements and large building maintenance needs.

Education is the largest service area in terms of its portion of total expenditures. Capital and operating education expenditures total \$26,820,615 or 29.5% of the fiscal year 2018 budget. This area includes funding for the public school system and the Carteret County Community College.

**Business Activities:** In fiscal year 2013, the County completed its \$3.51 million construction project to enhance and improve the County's water treatment system. The improvements constructed elevated water storage tanks, a booster pump station, and water plant upgrades; as a result of this improvement, the County does not have any large projects in the next several years. For FY18, the Water Fund adopted budget is \$1,132,600 for operations, debt service and equipment. The adopted budget increased maintenance funding to address some deferred maintenance needs of the system. FY18 annual debt service is approximately \$254,580.

The adopted Water Fund budget increase user rates 15%. The County has not increased rates in 5 years, and the increase is needed for increased operating and maintenance expenses. The increase is projected to generate approximately \$90,000 annually.

#### Requests for Information

This report is designed to provide an overview of the County'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 Assistant County Manager, Finance, Carteret County, 302 Courthouse Square, Beaufort, NC 28516.





Carteret County, North Carolina

Statement of Net Position  
June 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 3,717,364	\$ 990,365	\$ 4,707,729
Investments	56,643,406	-	56,643,406
Receivables (net)	13,023,791	61,363	13,085,154
Due from component unit	186,107	-	186,107
Inventories	-	-	-
Prepaid items	-	-	-
Restricted assets:			
Cash and cash equivalents	1,860,503	43,932	1,904,435
Investments	3,522,352	-	3,522,352
Net pension asset	249,915	-	249,915
Other assets	-	-	-
Capital assets:			
Land, improvements, and construction in progress	6,435,604	222,608	6,658,212
Other capital assets, net of depreciation	15,942,158	6,942,324	22,884,482
<b>Total capital assets</b>	<b>22,377,762</b>	<b>7,164,932</b>	<b>29,542,694</b>
<b>Total assets</b>	<b>101,581,200</b>	<b>8,260,592</b>	<b>109,841,792</b>
<b>Deferred Outflows of Resources</b>	<b>7,713,640</b>	<b>60,751</b>	<b>7,774,391</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	4,942,109	42,902	4,985,011
Accrued interest payable	387,904	8,700	396,604
Customer deposits	-	100,185	100,185
Due to primary government	-	-	-
Long-term liabilities:			
Pension liabilities	7,071,766	67,885	7,139,651
Due within one year	6,607,152	196,301	6,803,453
Due in more than one year	40,534,969	2,267,815	42,802,784
<b>Total long-term liabilities</b>	<b>54,213,887</b>	<b>2,532,001</b>	<b>56,745,888</b>
<b>Total liabilities</b>	<b>59,543,900</b>	<b>2,683,788</b>	<b>62,227,688</b>
<b>Deferred Inflows of Resources</b>	<b>414,736</b>	<b>2,379</b>	<b>417,115</b>
<b>Net Position</b>			
Net investment in capital assets	22,009,903	4,721,740	26,731,643
Restricted for:			
Public Safety	3,960,823	-	3,960,823
Economic Development	17,735,161	-	17,735,161
Cultural and Recreation	116,336	-	116,336
Register of Deeds	264,390	-	264,390
Human Services	121,577	-	121,577
Education	2,245,539	-	2,245,539
Stabilization by State Statute	6,881,419	-	6,881,419
Other purposes	-	-	-
Unrestricted (deficit)	(3,998,944)	913,436	(3,085,508)
<b>Total net position</b>	<b>\$ 49,336,204</b>	<b>\$ 5,635,176</b>	<b>\$ 54,971,380</b>

See Notes to Financial Statements.

**Component Units**

Beaufort- Morehead City Airport Authority	Carteret County Tourism Development Authority	Carteret County General Hospital Corporation	Carteret County ABC Board
\$ 730,259	\$ 299,532	\$ 64,147,480	\$ 1,398,876
-	-	29,882,646	-
30,685	899,366	33,168,834	-
-	-	-	-
-	-	3,538,567	1,396,868
2,317	-	4,824,554	23,386
21,092	-	3,650,353	-
-	-	-	-
-	-	-	-
-	-	1,620,972	-
4,153,608	-	3,723,707	1,149,703
7,966,500	356,418	80,911,676	2,147,296
12,120,108	356,418	84,635,383	3,296,999
12,904,461	1,555,316	225,468,789	6,116,129
-	-	-	187,133
21,548	252,987	17,719,930	1,548,439
-	-	-	-
-	-	-	-
-	-	-	186,107
-	-	-	184,218
18,477	5,019	449,862	136,815
73,908	15,055	42,045	300,595
92,385	20,074	491,907	621,628
113,933	273,061	18,211,837	2,356,174
24,757	-	11,121,431	6,454
12,027,723	356,418	84,143,476	2,859,589
-	-	-	123,203
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
307,981	899,366	-	-
-	26,471	7,011,464	421,184
430,067	-	104,980,581	536,658
\$ 12,765,771	\$ 1,282,255	\$ 196,135,521	\$ 3,940,634

Carteret County, North Carolina

Statement of Activities  
Year Ended June 30, 2017

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 9,236,447	\$ 1,805,126	\$ -	\$ -
Public safety	20,595,208	269,190	1,249,821	-
Transportation	1,837,842	140,384	1,071,285	26,130
Economic and physical development	5,691,825	805,826	661,609	-
Environmental protection	3,671,733	3,271,073	216,576	-
Human services	16,666,930	816,799	10,836,099	-
Cultural and recreation	4,222,782	361,398	-	175,470
Education	31,315,293	-	36,276	2,044
Interest on long-term debt	1,452,491	-	762,829	-
<b>Total governmental activities</b>	<b>94,690,551</b>	<b>7,469,796</b>	<b>14,834,495</b>	<b>203,644</b>
Business-type activities:				
Water	1,118,055	584,344	-	-
<b>Total primary government</b>	<b>\$ 95,808,606</b>	<b>\$ 8,054,140</b>	<b>\$ 14,834,495</b>	<b>\$ 203,644</b>
Component units:				
Airport Authority	\$ 547,963	\$ 151,236	\$ 117,290	\$ 1,871,172
Tourism Development Authority	3,821,370	3,537,491	142,857	-
Hospital	134,895,473	146,716,804	3,866,400	21,824
ABC Board	10,724,414	10,950,773	-	-
<b>Total component units</b>	<b>\$ 149,989,220</b>	<b>\$ 161,356,304</b>	<b>\$ 4,126,547</b>	<b>\$ 1,892,996</b>

General revenues:

Taxes:

Property taxes, levied for general purpose

Local option sales tax

Other taxes

Unrestricted intergovernmental

Investment earnings, unrestricted

Miscellaneous, unrestricted

Total general revenues excluding transfers

Transfers

**Total general revenues and transfers**

**Change in net position**

Net position, beginning, previously reported

Restatement (Note 21)

Net position, beginning restated

Net position, ending

See Notes to Financial Statements.

**Net (Expense) Revenue and Changes in Net Position**

Primary Government			Component Units			
Governmental Activities	Business-Type Activities	Total	Carteret County			
			Beaufort - Morehead City Airport Authority	Tourism Development Authority	Carteret County General Hospital Corporation	Carteret County ABC Board
\$ (7,431,321)	\$ -	\$ (7,431,321)				
(19,076,197)	-	(19,076,197)				
(600,043)	-	(600,043)				
(4,224,390)	-	(4,224,390)				
(184,084)	-	(184,084)				
(5,014,032)	-	(5,014,032)				
(3,685,914)	-	(3,685,914)				
(31,276,973)	-	(31,276,973)				
(689,662)	-	(689,662)				
<u>(72,182,616)</u>	<u>-</u>	<u>(72,182,616)</u>				
-	(533,711)	(533,711)				
<u>(72,182,616)</u>	<u>(533,711)</u>	<u>(72,716,327)</u>				
			\$ 1,591,735	\$ -	\$ -	\$ -
			-	(141,022)	-	-
			-	-	15,709,555	-
			-	-	-	226,359
			<u>1,591,735</u>	<u>(141,022)</u>	<u>15,709,555</u>	<u>226,359</u>
52,093,862	-	52,093,862	-	-	-	-
15,628,026	-	15,628,026	-	-	-	-
7,077,155	-	7,077,155	-	-	-	-
1,144,245	-	1,144,245	-	-	-	-
359,363	4,881	364,244	6,561	3,968	175,032	-
251,132	548	251,680	-	7,065	-	-
<u>76,553,783</u>	<u>5,429</u>	<u>76,559,212</u>	<u>6,561</u>	<u>11,033</u>	<u>175,032</u>	<u>-</u>
(355,000)	355,000	-	-	-	-	-
<u>76,198,783</u>	<u>360,429</u>	<u>76,559,212</u>	<u>6,561</u>	<u>11,033</u>	<u>175,032</u>	<u>-</u>
4,016,167	(173,282)	3,842,885	1,598,296	(129,989)	15,884,587	226,359
45,691,074	5,808,458	51,499,532	11,167,475	1,412,244	180,250,934	3,714,275
(371,037)	-	(371,037)	-	-	-	-
<u>45,320,037</u>	<u>5,808,458</u>	<u>51,128,495</u>	<u>11,167,475</u>	<u>1,412,244</u>	<u>180,250,934</u>	<u>3,714,275</u>
<u>\$ 49,336,204</u>	<u>\$ 5,635,176</u>	<u>\$ 54,971,380</u>	<u>\$ 12,765,771</u>	<u>\$ 1,282,255</u>	<u>\$ 196,135,521</u>	<u>\$ 3,940,634</u>

Carteret County, North Carolina

Balance Sheet - Governmental Funds  
June 30, 2017

	Governmental Fund Types			
	Major Fund		Total	Total
	General	Occupancy Tax Fund	Non-Major Funds	Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 53,302,855	\$ -	\$ 7,057,915	\$ 60,360,770
Receivables, net	9,695,055	1,208,661	1,246,458	12,150,174
Restricted cash and investments	1,337,282	-	4,045,573	5,382,855
Due from other funds	335,705	-	-	335,705
Due from component units	186,107	-	-	186,107
<b>Total assets</b>	<b>\$ 64,857,004</b>	<b>\$ 1,208,661</b>	<b>\$ 12,349,946</b>	<b>\$ 78,415,611</b>
<b>Liabilities, Deferred Inflows and Fund Balances</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,675,602	\$ 879,821	\$ 1,386,686	\$ 4,942,109
Due to other funds	-	324,053	11,652	335,705
<b>Total liabilities</b>	<b>2,675,602</b>	<b>1,203,874</b>	<b>1,398,338</b>	<b>5,277,814</b>
Deferred Inflows of Resources	3,335,448	-	631,678	3,967,126
Fund balances:				
Restricted:				
Register of Deeds	264,390	-	-	264,390
Recreation Districts	116,336	-	-	116,336
Beach Nourishment	15,986,798	-	-	15,986,798
Stabilization by State Statute	6,881,419	-	-	6,881,419
Sheriff's fund	547,341	-	-	547,341
Health programs	121,577	-	-	121,577
Public safety	-	-	1,003,977	1,003,977
Rescue protection	-	-	710,162	710,162
Fire protection	-	-	1,493,758	1,493,758
Economic development	1,096,663	1,208,661	248,608	2,553,932
School capital	-	-	1,438,366	1,438,366
Committed:				
Taylor Extended Care	-	-	231,541	231,541
School capital	-	-	566,343	566,343
Community College capital	-	-	765,000	765,000
Assigned:				
Subsequent year's expenditures	5,205,000	-	593,185	5,798,185
County capital	-	-	3,268,990	3,268,990
Unassigned	28,626,430	(1,203,874)	-	27,422,556
<b>Total fund balances</b>	<b>58,845,954</b>	<b>4,787</b>	<b>10,319,930</b>	<b>69,170,671</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 64,857,004</b>	<b>\$ 1,208,661</b>	<b>\$ 12,349,946</b>	<b>\$ 78,415,611</b>

See Notes to Financial Statements.

**Carteret County, North Carolina**

**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
June 30, 2017**

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

Total fund balances for governmental funds	<b>\$ 69,170,671</b>
Capital assets used in governmental activities are not current financial resources and, therefore are not reported in the funds	<b>22,377,762</b>
Net pension asset	<b>249,915</b>
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	<b>1,320,657</b>
Pension change in proportion and differences in employer contributions and differences in employer contributions and proportionate share of contributions	<b>253,129</b>
Pension difference between actual and expected experience	<b>114,941</b>
Pension net difference between actual and expected earning on plan investments	<b>3,374,862</b>
Pension changes in assumptions	<b>484,615</b>
Deferred inflows of resources for taxes and special assessments receivable	<b>3,833,552</b>
Pension related deferrals	<b>(281,162)</b>
Accrued interest receivable deferred in the fund statements	<b>873,617</b>
Accrued interest payable on long-term debt is not a current financial obligation and, therefore, is not in the funds	<b>(387,904)</b>
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore are not reported in the funds	<b>(54,213,887)</b>
Charges related to advance refunding bond issue	<b>2,165,436</b>
<b>Net position of governmental activities</b>	<b><u>\$ 49,336,204</u></b>

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds  
Year Ended June 30, 2017

	Governmental Fund Types			
	Major Funds		Total	Total
	General	Occupancy Tax Fund	Non-Major Funds	Governmental Funds
<b>Revenues</b>				
Ad valorem taxes	\$ 45,861,611	\$ -	\$ 6,087,070	\$ 51,948,681
Other taxes	13,880,252	7,028,630	1,796,299	22,705,181
Permits and fees	3,480,181	-	-	3,480,181
Intergovernmental	14,656,520	-	1,523,805	16,180,325
Sales and services	3,989,615	-	-	3,989,615
Interest	300,068	1,104	58,191	359,363
Miscellaneous	286,780	-	2,059	288,839
<b>Total revenues</b>	<b>82,455,027</b>	<b>7,029,734</b>	<b>9,467,424</b>	<b>98,952,185</b>
<b>Expenditures</b>				
Current:				
General government	7,451,324	-	-	7,451,324
Public safety	11,235,669	-	8,627,212	19,862,881
Transportation	1,029,693	-	-	1,029,693
Environmental protection	3,645,840	-	-	3,645,840
Economic and physical development	2,254,184	3,474,688	396,389	6,125,261
Human services	16,049,596	-	-	16,049,596
Culture and recreation	3,430,211	-	-	3,430,211
Education	25,173,000	-	-	25,173,000
Capital outlay	-	-	8,736,799	8,736,799
Debt service:				
Principal retirement	6,513,867	-	-	6,513,867
Interest and fees	1,583,634	-	-	1,583,634
<b>Total expenditures</b>	<b>78,367,018</b>	<b>3,474,688</b>	<b>17,760,400</b>	<b>99,602,106</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>4,088,009</b>	<b>3,555,046</b>	<b>(8,292,976)</b>	<b>(649,921)</b>
<b>Other financing sources (uses)</b>				
Transfer in	3,554,985	-	3,672,500	7,227,485
Sale of capital assets	1,064,519	-	209,341	1,273,860
Transfers out	(3,672,500)	(3,554,985)	(355,000)	(7,582,485)
<b>Total other financing sources (uses)</b>	<b>947,004</b>	<b>(3,554,985)</b>	<b>3,526,841</b>	<b>918,860</b>
<b>Net change in fund balance</b>	<b>5,035,013</b>	<b>61</b>	<b>(4,766,135)</b>	<b>268,939</b>
Fund balances				
Beginning	53,810,941	4,726	15,086,065	68,901,732
Ending	\$ 58,845,954	\$ 4,787	\$ 10,319,930	\$ 69,170,671

See Notes to Financial Statements.

**Carteret County, North Carolina**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities - Governmental Funds  
Year Ended June 30, 2017**

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

Net changes in fund balances - total governmental funds	<b>\$ 268,939</b>
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 outlays in the current period.	<b>382,774</b>
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, retirements, and donations) is a decrease to net position.	<b>(2,694,933)</b>
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	<b>1,310,530</b>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	<b>145,181</b>
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of bond premiums and other similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items	<b>4,603,676</b>
<b>Total changes in net position of governmental activities</b>	<b><u>\$ 4,016,167</u></b>

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund  
Year Ended June 30, 2017

	General Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
<b>Revenues</b>				
Ad valorem taxes	\$ 45,507,000	\$ 45,507,000	\$ 45,861,611	\$ 354,611
Other taxes	13,205,000	13,205,000	13,880,252	675,252
Permits and fees	2,787,100	2,836,322	3,480,181	643,859
Intergovernmental	13,971,215	14,171,478	14,656,520	485,042
Sales and services	3,706,860	3,735,910	3,989,615	253,705
Interest	250,000	250,000	300,068	50,068
Miscellaneous	134,310	168,310	286,780	118,470
<b>Total revenues</b>	<b>79,561,485</b>	<b>79,874,020</b>	<b>82,455,027</b>	<b>2,581,007</b>
<b>Expenditures</b>				
Current:				
General government	7,675,490	7,955,220	7,451,324	503,896
Public safety	11,941,885	11,995,169	11,235,669	759,500
Transportation	1,172,290	1,172,295	1,029,693	142,602
Environmental protection	3,698,145	3,736,399	3,645,840	90,559
Economic and physical development	2,215,605	2,709,132	2,254,184	454,948
Human services	17,724,795	17,889,041	16,049,596	1,839,445
Culture and recreation	3,553,415	3,563,440	3,430,211	133,229
Education	25,168,000	25,173,000	25,173,000	-
Debt service:				
Principal retirement	6,558,400	6,626,400	6,513,867	112,533
Interest and fees	1,594,950	1,594,950	1,583,634	11,316
<b>Total expenditures</b>	<b>81,302,975</b>	<b>82,415,046</b>	<b>78,367,018</b>	<b>4,048,028</b>
<b>Revenues over (under) expenditures</b>	<b>(1,741,490)</b>	<b>(2,541,026)</b>	<b>4,088,009</b>	<b>6,629,035</b>
<b>Other financing sources (uses)</b>				
Sale of capital assets	-	25,500	1,064,519	1,039,019
Transfers in	3,394,800	3,748,300	3,554,985	(193,315)
Transfers out	(3,003,000)	(3,672,500)	(3,672,500)	-
Contingency reserves	(2,800,310)	(2,891,891)	-	2,891,891
Appropriated fund balance	4,150,000	5,331,617	-	(5,331,617)
<b>Total other financing sources (uses)</b>	<b>1,741,490</b>	<b>2,541,026</b>	<b>947,004</b>	<b>(1,594,022)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>5,035,013</b>	<b>\$ 5,035,013</b>
<b>Fund balances</b>				
Beginning			53,810,941	
Ending			<u>\$ 58,845,954</u>	

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Revenues, Expenditures and Changes in Fund Balance -  
 Budget and Actual - Occupancy Tax Fund  
 Year Ended June 30, 2017

	Occupancy Tax Fund			Variance With Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Other taxes:				
Occupancy taxes	\$ 6,710,000	\$ 7,410,000	\$ 7,020,772	\$ (389,228)
Occupancy taxes, penalties and interest	2,500	2,500	7,858	5,358
Interest	-	-	1,104	1,104
<b>Total revenues</b>	<b>6,712,500</b>	<b>7,412,500</b>	<b>7,029,734</b>	<b>(382,766)</b>
<b>Expenditures</b>				
Economic and physical development:				
Tourism:				
Tourism Development Authority	3,317,700	3,664,200	3,474,688	189,512
<b>Total expenditures</b>	<b>3,317,700</b>	<b>3,664,200</b>	<b>3,474,688</b>	<b>189,512</b>
<b>Revenues over expenditures</b>	<b>3,394,800</b>	<b>3,748,300</b>	<b>3,555,046</b>	<b>(193,254)</b>
<b>Other financing uses</b>				
Transfers out	(3,394,800)	(3,748,300)	(3,554,985)	193,315
<b>Total other financing uses</b>	<b>(3,394,800)</b>	<b>(3,748,300)</b>	<b>(3,554,985)</b>	<b>193,315</b>
<b>Revenues under expenditures     and other uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>61</b>	<b>\$ 61</b>
<b>Fund balances</b>				
Beginning			4,726	
Ending			<u>\$ 4,787</u>	

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Fund Net Position - Proprietary Fund  
June 30, 2017

	Water Fund
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 990,365
Receivables, net	61,363
Restricted cash and cash equivalents	43,932
<b>Total current assets</b>	<b>1,095,660</b>
Noncurrent assets	
Capital assets:	
Land, improvements, and construction in progress	222,608
Other capital assets, net of depreciation	6,942,324
<b>Total capital assets</b>	<b>7,164,932</b>
<b>Total noncurrent assets</b>	<b>7,164,932</b>
<b>Total assets</b>	<b>8,260,592</b>
<b>Deferred outflows of resources</b>	<b>60,751</b>
<b>Liabilities</b>	
Current liabilities	
Accounts payable and accrued expenses	42,902
Customer deposits	100,185
Accrued interest payable	8,700
Current portion of long-term liabilities	196,301
<b>Total current liabilities</b>	<b>348,088</b>
Noncurrent liabilities	
Installment loan payable and long-term liabilities	2,267,815
Net pension liability	67,885
<b>Total noncurrent liabilities</b>	<b>2,335,700</b>
<b>Total liabilities</b>	<b>2,683,788</b>
<b>Deferred inflows of resources</b>	<b>2,379</b>
<b>Net Position</b>	
Net investment in capital assets	4,721,740
Unrestricted	913,436
<b>Total net position</b>	<b>\$ 5,635,176</b>

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund  
Year Ended June 30, 2017

	<u>Water Fund</u>
Operating revenues	
Charges for services	\$ 584,344
<b>Total operating revenues</b>	<u>584,344</u>
Operating expenses	
Water plant operations	680,911
Depreciation	366,607
<b>Total operating expenses</b>	<u>1,047,518</u>
<b>Operating loss</b>	<u>(463,174)</u>
<b>Nonoperating revenues (expenses)</b>	
Interest revenue	4,881
Miscellaneous revenue	548
Interest expense	(70,537)
<b>Total nonoperating revenues (expenses)</b>	<u>(65,108)</u>
<b>Loss before contributions and transfers</b>	(528,282)
Transfers in	355,000
<b>Change in net position</b>	<u>(173,282)</u>
Total net position	
Beginning	5,808,458
Ending	<u>\$ 5,635,176</u>

See Notes to Financial Statements.

**Carteret County, North Carolina**

**Statement of Cash Flows - Proprietary Fund  
Year Ended June 30, 2017**

	<b>Water Fund</b>
Cash flows from operating activities	
Cash received from customers	\$ 581,859
Cash paid for goods and services	(371,071)
Cash paid to employees for services	(290,678)
Customer deposits received	4,130
<b>Net cash used in operating activities</b>	<u>(75,760)</u>
Cash flows from noncapital financing	
Miscellaneous revenue	548
Transfers in	355,000
<b>Net cash provided by noncapital financing</b>	<u>355,548</u>
Cash flows from capital and related financing activities	
Principal paid on installment debt	(188,032)
Interest paid on installment debt	(71,245)
<b>Net cash used in capital and related financing activities</b>	<u>(259,277)</u>
Cash flows provided by investing activities	
Interest on investments	4,881
<b>Net increase in cash and cash equivalents</b>	<u>25,392</u>
Cash and cash equivalents:	
Beginning	1,008,905
Ending (including restricted of \$43,932)	<u>\$ 1,034,297</u>

(Continued)

Carteret County, North Carolina

Statement of Cash Flows - Proprietary Fund (Continued)  
Year Ended June 30, 2017

	<u>Water Fund</u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (463,174)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	366,607
Changes in assets, liabilities, and deferred outflows and inflows of resources:	
Increase in accounts receivable	(2,485)
Increase in accounts payable and accrued liabilities	6,466
Increase in customer deposits	4,130
Increase in accrued vacation pay	7,943
Increase in deferred outflows of resources - pensions	(46,257)
Increase in net pension liability	55,219
Decrease in deferred inflows of resources - pensions	(4,209)
<b>Net cash used in operating activities</b>	<u><u>\$ (75,760)</u></u>

See Notes to Financial Statements.

**Carteret County, North Carolina**

**Statement of Fiduciary Net Position - Fiduciary Funds  
June 30, 2017**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	<u>\$ 95,819</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	<u>\$ 95,819</u>

See Notes to Financial Statements.

# Notes to Financial Statements

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These notes are intended to communicate information necessary for a fair presentation of financial position and changes in financial position that are not readily apparent from or cannot be included in the financial statements themselves. The notes supplement the financial statements, are an integral part thereof, and are intended to be read in conjunction with the financial statements.

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**Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies**

**Nature of operations**

Carteret County, which is governed by a seven-member board of commissioners, is one of the 100 counties established in North Carolina under General Statute 153A-10. The County is located on the coast of North Carolina, with its seat of government in the Town of Beaufort. The County is responsible for providing a full range of governmental services, including police and fire protection to residents in unincorporated areas of the County, health and social services, recreational programs, and operational and capital funding support for the public school systems.

**Reporting entity**

As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. The discretely presented component units presented below are reported in separate columns in the County's government-wide financial statements in order to emphasize that they are legally separate from the County.

**Beaufort – Morehead City Airport Authority (“Airport”):** The Airport is an entity created by resolution of the Carteret County Board of Commissioners for the purpose of management and maintenance of the airport located in Carteret County. The County appoints a majority of the Airport board members. The Airport also receives a majority of its revenue from County sources. The Airport has a June 30 year-end.

**Carteret County Tourism Development Authority (“TDA”):** The TDA is an entity created by resolution of the Carteret County Board of Commissioners for the purpose of management of the promotion and development of tourism in Carteret County. The TDA Board is governed by a board appointed by the County Commissioners. The County does not have authority to designate management of the TDA nor remove board members of the TDA. The TDA receives substantially all its revenue from an occupancy tax implemented, and revocable, by the County Commissioners and has a June 30 year-end.

**Carteret County General Hospital Corporation (“Hospital”):** The Hospital is a public hospital operated by a nonprofit corporation, providing healthcare to residents of Carteret County. The Hospital leases its existing facilities and all future improvements from the County. The County appoints the Hospital's governing board and can remove board members at will. The Hospital must receive approval from the County Commissioners before issuing debt. The Hospital has a September 30 year-end.

**Carteret County Alcoholic Beverage Control Board (“ABC Board”):** The ABC Board is governed by a board appointed by the County Commissioners. The ABC Board is required by State statute to distribute surpluses to the General Fund of the County. The ABC Board has a June 30 year-end.

Complete financial statements for the individual component units may be obtained at the administrative offices of those entities.

- Beaufort-Morehead City Airport Authority, 180 Airport Road, Beaufort, NC 28516
- Carteret County Tourism Development Authority, 3409 Arendell Street, Morehead City, NC 28557
- Carteret County General Hospital Corporation, 3500 Arendell Street, Morehead City, NC 28557
- Carteret County ABC Board, 410 Live Oak Street, Beaufort, NC 28516

**Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)**

**Carteret County Industrial Facility and Pollution Control Financing Authority (“Authority”):** The Authority exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority is governed by a seven-member board of commissioners, all of whom are appointed by the County Commissioners. The County can remove any commissioner of the Authority with or without cause. The Authority has no financial transactions or account balances of its own; therefore, it is not presented in the financial statements. The Authority does not issue separate financial statements.

The following corporation is included as a blended component unit:

**County of Carteret Public Facilities Financing Corporation (“Corporation”):** The Corporation is a nonprofit corporation. The Corporation was organized and shall be operated exclusively for the purpose of providing debt financing for the County, to fulfill various statutory obligations involving but not limited to, purchase and sale, construction and/or lease of real estate and improvements, facilities, and equipment. The Corporation has a three-member board of directors who are established through the bylaws of the Articles of Incorporation and will consist of the County Manager, Deputy Clerk to the Board, and Chair of the County Commissioners. The County has entered into Construction and Repayment Contracts with the Corporation. The Corporation's assets, fund balance, revenue and expenditures have been included in the County Capital Improvements Fund (a non-major fund) as of and for the year ended June 30, 2015 and subsequent years.

**Summary of significant accounting policies**

The basic financial statements of Carteret County, North Carolina have been prepared in conformity with 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.

**Basis of presentation**

**Government-wide statements:** The statement of net position and the statement of activities display information about the primary government net position (the “County”) and its component units. 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. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County'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, including all taxes, are presented as general revenues.

Notes to Financial Statements

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**Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)**

**Fund financial statements:** The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category – governmental, proprietary, and fiduciary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds, as applicable.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating items, such as investment earnings, are ancillary activities.

The County reports the following major governmental funds:

*General Fund:* This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Occupancy Tax Fund:* This fund is used to account for financial resources generated from tax collected on hotel and motel room rentals within the County that is used to help promote tourism.

The County reports the following major enterprise fund:

*Water Fund:* This fund is used to account for the operations of the County's water system.

The County reports the following fiduciary fund types:

*Agency Funds:* Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: The Social Services Trust Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of various clients; the Sheriff's Department Fund, which accounts for the collection and distribution of assets in conjunction with the clerk of court for judgments and claims that have been assessed; the Deed of Trust Agency Fund, which accounts for the five dollars of each fee collected by the register of deeds for registering or filing a deed of trust or mortgage and remitted to the State Treasurer on a monthly basis; and the Cooperative Extension Agency Fund, which accounts for program revenue and expenses for the 4 H, Family and Consumer Science and Horticultural Programs.

*Non-major Funds:* The County maintains fifteen non-major funds. The Emergency Telephone System Fund, Rescue Squad Fund, Fire District Fund, Water Tax District Fund, Salter Path District Beach Nourishment Fund, and the CDBG 2003 Scattered Site Fund, HMGP 2012 Fund, and 2014 Flood Mitigation Fund are reported as non-major special revenue funds. The County Capital Reserve Fund, County Capital Improvements Fund, County Facilities Debt Reserve Fund, School Special Projects Fund, County Construction Projects Fund, 2015 School Bond Project Fund, and Carteret Community College Project Fund are reported as capital projects funds.

Notes to Financial Statements

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**Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)**

Measurement focus and basis of accounting

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

**Government-wide, proprietary, and fiduciary fund financial statements:** The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The agency funds have no measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise fund are charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**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 County recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available. Non-exchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. State shared revenues, sales tax, property taxes, federal grants funding federal mandates, and most donations are examples of non-exchange transactions.

**Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)**

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the County are recognized as revenue. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied, subject to availability.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

**Budgets and budgetary accounting:** The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted on the modified accrual basis for the general fund, the special revenue funds (excluding 2003 CDBG Scattered Site Program, HMGP 2012 Fund, and 2014 Flood Mitigation Fund), the capital projects funds (excluding the County Construction Projects Fund, 2015 School Bond Project Fund, and Carteret Community College Fund) and the Water Operating fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for those capital projects funds and special revenue funds which do not adopt annual budgets and water construction projects. In accordance with the Local Government Budget and Fiscal Control Act, the County follows these procedures in establishing the budgetary data reflected in the financial report:

1. The County Manager submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing the following July 1. The operational budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance by June 30 each year.

**Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)**

The Board of Commissioners may amend the budget ordinance at any time after its adoption as long as the amended ordinance continues to meet the requirements of North Carolina's "Local Government Budget and Fiscal Control Act". No amendment may change the property tax levy unless the Board of Commissioners is so ordered by competent authority. During the year, several supplementary appropriations to the original budget were necessary. Individual amendments to the ordinance were not material in relation to the original appropriations, and all amendments were legally made.

Under State statute, actual expenditures cannot exceed budgetary appropriations at the level at which the budget ordinance is formally approved. The County's budget ordinance authorizes expenditures by department total for the general fund and the special revenue funds, and at the fund level for the capital projects funds. All budgets are fixed in nature. The County Manager is authorized to approve transfers between departments not to exceed \$20,000. Transfers between departments that exceed \$20,000 or any transfers between funds require Board approval. For internal management purposes, the budgets are detailed by line item within each department and entered into the accounting records. Comparisons of actual expenditures to budget are made on an ongoing basis.

**Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position/Fund Balance**

**Deposits and investments:** All deposits of the County, the Hospital, ABC Board, the TDA, and the Airport are made in board-designated official depositories and are secured as required by G.S. 159-31. The County, the Hospital, the ABC Board, the TDA, and the Airport may designate as an official depository any bank or savings association whose principal office is located in North Carolina. Also, the County, the Hospital, the ABC Board, the TDA, and the Airport may establish time deposit accounts, such as NOW and Super NOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the County and its component units to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust ("NCCMT").

The majority of the County's investments are carried at fair value. Non-participating interest earning contracts are accounted for at cost. The NC Capital Management Trust Government Portfolio, a SEC-registered 2a-7 external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less and nonparticipating interest earnings and investment contracts are reported at amortized cost.

**Cash and cash equivalents:** The County pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments of the Water Enterprise Fund in the pool are essentially demand deposits and are considered cash and cash equivalents for purposes of reporting cash flows. Investment earnings are allocated to all funds based on the cash balance outstanding at the end of each quarter. The County's component units consider demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

**Restricted cash and investments:** Certain proceeds of debt issuances are classified as restricted cash and cash equivalents and investments because their use is limited by applicable debt instruments. Additional restricted cash includes rescue and fire districts' cash balances that are completely restricted for rescue and fire district use in the future, compensating cash balance, which offsets fees associated with the County's banking account, USDA revenue bond required deposits, as well as other miscellaneous restricted accounts.

Notes to Financial Statements

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**Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)**

**Ad valorem taxes receivable:** Ad valorem taxes receivable are not recognized as revenue in the governmental fund financial statements because they are not considered to be both “measurable and available”. The receivable amount is reduced by an allowance for doubtful accounts equal to the percent of the original levy, which has normally been written off based on past experience. An amount equal to the net taxes receivable is shown as a deferred inflow in the applicable governmental funds.

The property tax calendar for Carteret County, North Carolina according to North Carolina general statutes 105-347 and 159-13(a) is as follows:

Levy date	July 1
Due date (lien date)	September 1
Past due date	January 6

The taxes for the current fiscal year are generally based on January 1, 2016 assessed values.

**Allowances for doubtful accounts:** All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

**Inventories and prepaid items:** The inventories of the Hospital and the ABC Board are valued at the lower of cost, on a first-in, first-out (“FIFO”) basis, or market. The Hospital inventory consists of expendable items, including pharmaceuticals and general supplies, held for sale to patients or consumption. The Hospital inventories are recorded as expenses when consumed rather than when purchased. The ABC Board inventory consists of alcoholic beverages held for sale.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements for the Airport.

**Capital assets:** Capital assets of the County are not capitalized in the governmental fund used to acquire or construct them. Instead, capital acquisitions and construction are reflected as expenditures in governmental funds, and capitalized and reported in the government-wide financial statements as capital assets of governmental activities. Capital assets are capitalized in proprietary fund financial statements and in business-type activities of the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The County has no significant amount, other than the water system, of public domain or infrastructure capital assets. Minimum capitalization costs are as follows: buildings, improvements, and infrastructure, \$50,000; furniture and equipment, \$5,000; and vehicles, \$10,000. The cost of normal maintenance and repairs that do not add to the value of the capital asset or materially extend assets’ lives are not capitalized.

The County holds title to certain Carteret County Board of Education (“Board of Education”) properties, which have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Board of Education. Revenues and expenditures related to these construction projects are reflected in governmental funds financial statements of Carteret County during construction.

Notes to Financial Statements

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**Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)**

Capital assets of the Hospital, the ABC Board, the Airport, and the TDA are recorded at original cost at the time of acquisition. Capital assets donated to these entities for operations are recorded at the estimated fair market value at the date of donation or acquisition value after July 1, 2015. Any interest incurred during the construction phase of the capital assets of the Hospital or the ABC Board is reflected in the capitalized value of the asset constructed. The County owns legal title to all Hospital facilities and improvements under a lease agreement, which allows the Hospital unrestricted use of those facilities. The County's policy is to report these assets in the Hospital component unit.

Capital assets of the County, Hospital, and the ABC Board are depreciated (expensed) over their estimated useful lives on a straight-line basis as follows:

Asset Class	Estimated Useful Lives
Buildings and improvements	5 - 40 years
Furniture and equipment	3 - 20 years
Improvements other than building	5 - 20 years

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements	25 years
Furniture and equipment	10 -15 years
Vehicles	6 years
Computer equipment	3 years

The Airport's capital assets are depreciated using the straight-line method over the following estimated useful lives: buildings and improvements and infrastructure, 30 years; furniture and equipment, 10 years; vehicles, 7 years; and computer equipment and software, 5 years.

**Deferred outflows/inflows of resources:** In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflow 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 County has several items that meet this criterion- a charge on refunding, pension-related deferrals, and contributions made to the pension plan in the current fiscal year. In addition to liabilities, the statement of net position and balance sheet can also report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as revenue until then. The County has three items that meet the criterion for this category – prepaid taxes, property taxes receivable, and other pension-related deferrals.

**Compensated absences:** The vacation policies of the County, the Hospital, the TDA, and the ABC Board provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary fund financial statements, the TDA, the Hospital, and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned and are accounted for on a last-in, first-out ("LIFO") basis, assuming that employees are taking time as it is earned.

Notes to Financial Statements

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**Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)**

The sick leave policies of the County, the Airport, the TDA, the Hospital, and the ABC Board 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. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

**Long-term obligations:** In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

In the governmental fund financial statements, the face amount of debt issued is reported as an other financing source and is not considered a fund liability.

In accordance with GASB Statement No. 23, as amended by GASB Statement No. 63, an unamortized charge, the difference between the reacquisition price and the net carrying amount of old debt on refunding of debt, is deferred and amortized to interest expense using the proportionate-to-stated-interest method in governmental type activities. The unamortized charge is reported as a deferred outflow of resources.

**Bond premiums:** In the government-wide and proprietary fund financial statements, bond premiums are amortized over the life of the bonds using the proportionate-to stated-interest method. Long-term debt is reported inclusive of the applicable bond premium. In the fund financial statements, governmental fund types recognize bond premiums during the current period. Premiums received on debt issuances are reported as other financing sources.

Net position/fund balances:

**Net position:** Net position in government-wide and proprietary fund 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:

**Restricted Fund Balance** – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors or imposed by law. The following are the County's restricted fund balances as of June 30, 2017:

- Restricted for Register of Deeds — portion of fund balance that is restricted by revenue source to pay for the computer equipment and imaging technology for the Register of Deeds office.
- Restricted for Recreation Districts — represents amounts restricted for specific recreation purposes.
- Restricted for Beach Nourishment — represents amount reserved for beach nourishment. Restricted for Beach Nourishment includes the amount of accounts receivable at June 30, 2017. This is done due to the great reliance of this restricted amount by the Board of Commissioners and the Beach Commission.

**Note 1. Nature of Operations, Reporting Entity, and 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)]. Restricted for Stabilization by State Statute does not include the accounts receivable amount for beach nourishment. Instead, that receivable amount is included in the restricted for beach nourishment. The purpose for that is due to the reliance of the Board of Commissioners and the Beach Commission on the Restricted for Beach Nourishment balance.
- Restricted for Sheriff's fund – represents amounts restricted for expenditures relating to special drug programs and concealed weapons programs.
- Restricted for Health programs – represents amounts restricted to expenditures in specific health programs.
- Restricted for Public Safety – represents amounts restricted to expenditures relating to the Emergency Telephone System Fund.
- Restricted for Rescue Protection – portion of fund balance that is restricted by revenue source for rescue protection expenditures.
- Restricted for Fire Protection – portion of fund balance that is restricted by revenue source for fire protection expenditures.
- Restricted for Economic Development – portion of fund balance that can only be used for economic development purposes derived from Industrial Park lot sales and proceeds from the former Eastern Region.
- Restricted for School Capital – portion of fund balance that can only be used for School Capital per G.S. 159-18-22.

**Committed Fund Balance** – portion of fund balance that can only be used for specific purpose imposed by majority vote of Carteret County's Board of Commissioners (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the Board of Commissioners. This action is accomplished by a formal motion and approval vote by a majority of the Board of Commissioners. The following are the County's committed fund balances as of June 30, 2017:

- Committed for School Capital – portion of fund balance that can only be used for school capital projects.
- Committed for Taylor Extended Care – portion of fund balance that can only be used for maintenance of Taylor Extended Care.
- Committed for Community College Capital – portion of fund balance that can only be used for community college capital projects.

**Assigned Fund Balance** - portion of fund balance that the Carteret County governing board has budgeted. Only the governing board (County Board of Commissioners) has authority to assign amounts to a specific purpose, and that requires a majority vote of the governing board. The following are the County's assigned fund balances as of June 30, 2017:

- Subsequent year's expenditures — 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.
- County capital – portion of fund balance that has been budgeted by the board for future County capital improvements.

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

Notes to Financial Statements

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**Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)**

Carteret County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-County funds, and County funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it's in the best interest of the County.

Carteret County has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that requires the County to maintain a 15% unassigned fund balance in the General Fund. The General Fund is the only governmental fund where it is appropriate to report a positive unassigned fund balance amount.

**Defined Benefit Pension Plans:** The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LGERS) and the Registers of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "state-administered defined benefit pension plans"). For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

Reconciliation of Government-wide and Fund Financial Statements

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of (\$19,834,647) consists of several elements as follows:

Carteret County, North Carolina

Notes to Financial Statements

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**Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)**

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	\$ 57,782,583
Less accumulated depreciation	35,404,821
<b>Net capital assets</b>	<u>22,377,762</u>
Net pension asset	249,915
Contributions to the pension plan in the current fiscal year	1,320,657
Pension change in proportion and differences in employer contributions and differences in employer contributions and proportionate share of contributions	253,129
Pension difference between actual and expected experience	114,941
Pension net difference between actual and expected earning on plan investments	3,374,862
Pensions changes in assumptions	484,615
Deferred charges related to advance refunding bond issued - included on government-wide statement of net position but are not a current financial resources	2,165,436
Accrued interest receivable	873,617
Liabilities for deferred inflows of resources reported in the fund statements but not in the government-wide statements	3,833,552
Pension related deferrals	(281,162)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Bonds, COPS and installment financing	(39,967,789)
Premiums on refundings	(2,417,445)
Accrued interest payable	(387,904)
Compensated absences	(1,370,858)
Accrued postemployment and retirement obligations	(10,457,795)
<b>Long-term liabilities</b>	<u>(54,601,791)</u>
<b>Total adjustment</b>	<u><u>\$ (19,834,467)</u></u>

Notes to Financial Statements

**Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)**

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$3,747,228 as follows:

<b>Description</b>	<b>Amount</b>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 2,695,537
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(2,312,763)
Loss on disposed capital assets not recorded in the fund statements	(2,694,933)
Principal payments on debt owed are recorded as an use of funds on the fund statements but again affect only the statement of net position in the government-wide statements.	6,513,867
Bond premiums and other similar items, are amortized in the government-wide statements but not in the fund statements because they do not use current resources.	68,316
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	1,310,530
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Compensated absences	(34,820)
Other postemployment benefits	(190,804)
County's portion of collective pension expense	(1,815,710)
Decrease in interest payable on long-term debt at June 30, 2016	62,827
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Increase in deferred inflows of resources - taxes receivable - as of June 30, 2017	215,503
Decrease in accrued interest on taxes receivable for year ended June 30, 2017	(70,322)
<b>Total adjustment</b>	<b>\$ 3,747,228</b>

## **Carteret County, North Carolina**

### **Notes to Financial Statements**

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#### **Note 2. Stewardship, Compliance, and Accountability**

Component Unit information:

For the fiscal year ended June 30, 2017, the Airport Authority's grant project ordinance for two grants was not adopted in accordance with NC General Statute 159-13.2(c). State law requires the project ordinance be adopted before the project begins. The Authority adopted the project ordinance after the project began and money was spent.

As of June 30, 2017, the Airport Authority's Grant Project Fund had a deficit fund balance of \$265,263. The deficit fund balance will be eliminated with future revenues or transfers in from other funds.

For the ABC Board for the fiscal year ended June 30, 2017, the expenditures exceeded the authorized appropriations made by the governing board for debt service by \$373, and distributions by \$511,825.

#### **Note 3. Cash and Investments**

Cash on hand:

The County had \$2,220 in petty cash on hand at June 30, 2017.

Component unit information:

The Hospital had \$7,357 in cash on hand at September 30, 2016.

Deposits:

All deposits of the County and its component units are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage are collateralized with securities held by the units' agents in the units' 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 units, these deposits are considered to be held by their agents in the entities' name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the units or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the units 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 and minimum capitalization for each depository that collateralizes public deposits under the Pooling Method. The County and its component units do not have formal policies regarding custodial credit risk for deposits and rely on the State Treasurer to monitor those financial institutions. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2017, the County's unrestricted and restricted deposits, excluding petty cash and agency fund deposits, had a carrying amount of \$6,609,943 and a bank balance of \$7,271,515. Of the bank balance, \$345,243 was covered by federal depository insurance and \$6,926,272 was covered by collateral held under the Pooling Method. Restricted cash deposits, excluding agency funds, in the amount of \$1,904,435 is as follows: held in noninterest-bearing deposits for banking services in the amount of \$39,012, \$21,457 for capital projects, \$1,800,034 is restricted for fire and rescue special taxing districts, and \$43,932 in the Water Fund is restricted in accordance with the County's USDA revenue bond requirements.

**Carteret County, North Carolina**

**Notes to Financial Statements**

**Note 3. Cash and Investments (Continued)**

At June 30, 2017, the County's agency fund deposits had a carrying amount of \$95,819 and a bank balance of \$100,233. All of the bank balance was covered by federal depository insurance.

Component unit information:

At June 30, 2017, the carrying amount of deposits for the TDA with financial institutions was \$60,800 and the bank balance was \$569,313. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the pooling method.

At June 30, 2017, the carrying amount of deposits for the Airport was \$751,351 and the bank balance was \$782,646. Of the bank balance, \$260,203 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

At September 30, 2016, the carrying amount of the Hospital's deposits was \$67,797,833 and the bank balance was \$69,732,236. Of the carrying amount, \$7,357 was cash on hand. Of the bank balance, \$2,500,000 was covered by federal depository insurance and the remainder is collateralized by the pooling method.

At June 30, 2017 the carrying amount of deposits for the ABC Board was \$1,391,326 and the bank balance was \$1,204,328. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

Investments:

At June 30, 2017, the County had the following investments and maturities.

<b>Investment Type</b>	<b>Valuation Measurement Method</b>	<b>Fair Value</b>	<b>Less Than 1 Year</b>	<b>1-5 Years</b>
Commercial Paper	Fair Value - Level 2	\$ 7,964,650	\$ 7,964,650	\$ -
US Treasuries	Fair Value - Level 1	998,320	998,320	
US Government Agencies	Fair Value - Level 2	9,260,444	4,273,005	4,987,439
NC Capital Management Trust Government Portfolio	Amortized Cost	39,532,480	39,532,480	N/A
NC Capital Management Trust Term Portfolio*	Fair Value - Level 1	2,409,864	2,409,864	-
<b>Total</b>		<b>\$ 60,165,758</b>	<b>\$ 55,178,319</b>	<b>\$ 4,987,439</b>

\*Because the NC Capital Management Trust Term Portfolio has a weighted average maturity of less than 90 days, it was presented as an investment with a maturity of less than 1 year.

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2: debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

**Carteret County, North Carolina**

**Notes to Financial Statements**

**Note 3. Cash and Investments (Continued)**

**Interest rate risk.** As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy limits at least half of the County's investment portfolio to maturities of less than 12 months. Also, the County's investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than twenty years.

**Credit risk.** The County limits 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. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the County has no formal policy on managing credit risk. As of June 30, 2017, the County's investments in commercial paper were rated P1 by Standard & Poor's, F1 by Fitch Ratings, and A1 by Moody's Investors Service. The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. The County's investments in US Government Agencies (Federal Home Loan Bank, Federal National Mortgage Association and Federal Farm Credit Bank) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

**Custodial credit risk.** For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no formal policy on custodial credit risk.

**Concentration of credit risk.** The County places no limit on the amount that the County may invest in any one issuer. More than 5 percent of the County's investments are in Freddie Mac Securities, \$5,987,417 (9.95%). It is the County's intention to hold these investments until maturity. The County has no formal policy on concentration of credit risk.

At June 30, 2017, the County had restricted investments in the governmental activities of \$3,522,352. In the General Fund there are restricted investments of \$1,276,813 for Qualified Zone Academy Bond debt service and \$2,245,539 for North Carolina Capital Management Trust 2015 General Obligation Bonds.

Component unit information

At June 30, 2017, the TDA had \$238,732 invested in the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The TDA has no policy regarding credit risk. This amount is included in cash and cash equivalents on the statement of net position.

At September 30, 2016 the Hospital had the following investments and maturities.

The Hospital has \$3,650,353 certificates of deposit and \$24,442 of cash and cash equivalents included in assets limited as to use and investments for capital improvements as of September 30, 2016, which are not included in the fair value hierarch.

Investment Type	Valuation Measurement Method	Fair Value	Less Than		
			1 Year	1-4 Years	5-9 Years
US Government Agencies	Fair Value - Level 2	29,858,204	-	28,245,862	1,612,342
<b>Total</b>		<b>\$ 29,858,204</b>	<b>\$ -</b>	<b>\$ 28,245,862</b>	<b>\$ 1,612,342</b>

**Note 3. Cash and Investments (Continued)**

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2: debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Credit Risk. The Hospital has a Board-approved Investment Policy which is designed to mitigate credit risk, interest rate risk, and liquidity risk. These principles include, but are not limited to, diversification both between and within asset classes, quality stipulations appropriate to various types of investments, and ongoing monitoring of portfolio performance by the Board and Investment Committee, Management, and the Hospital's Investment Manager. Such practices support the stated objectives for the Hospital's total portfolio performance, which are to provide a reasonable level of current income while minimizing the likelihood of capital loss, and to maximize total return within defined risk parameters.

Concentration of Credit Risk. Per the Hospital's Investment Policy, the investment portfolio will be diversified among different issuers within each sector with no one issuer accounting for more than 10% of the portfolio at time of purchase unless it is an obligation of the US government or its agencies. The portfolio will be diversified among different fixed income sectors and different issues within each sector with no one issue accounting for more than 5% of the portfolio at time of purchase unless it is an obligation of the US government or its agencies.

Interest Rate Risk. Interest rate risk is mitigated through the use of both market and short-term components of the fixed income portfolio, and the requirement that the durations of these funds fall within acceptable ranges set forth in the Investment Policy. This is achieved by structuring the investment portfolio so that securities mature to meet chase requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing funds primarily in shorter-term securities.

**Carteret County, North Carolina**

**Notes to Financial Statements**

**Note 4. Receivables**

Receivables at the government-wide level are comprised of the following major categories as of June 30, 2017:

	<b>Governmental Activities</b>	<b>Business-Type Activity, Water</b>	<b>Total</b>
Receivables:			
Interest	\$ 873,617	\$ -	\$ 873,617
Taxes	3,486,258	-	3,486,258
Accounts	712,910	61,363	774,273
Intergovernmental	6,948,010	-	6,948,010
Other	1,208,661	-	1,208,661
<b>Gross receivables</b>	<b>13,229,456</b>	<b>61,363</b>	<b>13,290,819</b>
Less allowance for uncollectibles	(205,665)	-	(205,665)
<b>Net total receivables</b>	<b>\$ 13,023,791</b>	<b>\$ 61,363</b>	<b>\$ 13,085,154</b>

**Property tax - use-value assessment on certain lands:** In accordance with North Carolina general statutes, agriculture, horticulture, and forestland may be taxed at present use-value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years along with accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

Year Levied	Tax	Interest	Total
2014	\$ 234,051	\$ 55,587	\$ 289,638
2015	427,157	63,006	490,163
2016	460,557	26,482	487,039
2017	466,172	-	466,172
<b>Total</b>	<b>\$ 1,587,937</b>	<b>\$ 145,075</b>	<b>\$ 1,733,012</b>

Component unit information

The Hospital's receivables of \$33,168,834 are net of an allowance for doubtful accounts of approximately \$30,721,411. Approximately 63% of the Hospital's revenue is from the Medicare and Medicaid programs.

**Carteret County, North Carolina**

**Notes to Financial Statements**

**Note 5. Capital Assets**

The following is a summary of changes in the County's capital assets during the fiscal year ended June 30, 2017:

	Capital Assets July 1, 2016	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2017
Governmental activities:					
Capital assets, not being depreciated:					
Land, airport	\$ 169,549	\$ -	\$ -	\$ -	\$ 169,549
Land, other	6,044,250	450,014	(1,573,560)	-	4,920,704
Construction in progress	157,607	1,187,744	-	-	1,345,351
<b>Total capital assets not being depreciated</b>	<b>6,371,406</b>	<b>1,637,758</b>	<b>(1,573,560)</b>	<b>-</b>	<b>6,435,604</b>
Capital assets, being depreciated:					
Buildings	27,603,233	-	(1,881,706)	-	25,721,527
Vehicles	5,527,166	410,011	(981,212)	-	4,955,965
Equipment	7,883,944	647,782	(2,744,162)	-	5,787,564
Airport facilities	1,524,747	-	-	-	1,524,747
Other improvements	11,641,872	-	(875,124)	-	10,766,748
Leasehold improvements	2,590,428	-	-	-	2,590,428
<b>Total capital assets being depreciated</b>	<b>56,771,390</b>	<b>1,057,793</b>	<b>(6,482,204)</b>	<b>-</b>	<b>51,346,979</b>
Less accumulated depreciation for:					
Buildings	18,835,890	762,504	(855,441)	-	18,742,953
Vehicles	4,314,087	429,776	(943,512)	-	3,800,351
Equipment	6,923,534	456,037	(2,701,873)	-	4,677,698
Airport facilities	1,524,747	-	-	-	1,524,747
Other improvements	6,086,686	534,924	(859,991)	-	5,761,619
Leasehold improvements	767,931	129,522	-	-	897,453
<b>Total accumulated depreciation</b>	<b>38,452,875</b>	<b>\$ 2,312,763</b>	<b>\$ (5,360,817)</b>	<b>\$ -</b>	<b>35,404,821</b>
<b>Total capital assets, being depreciated, net</b>	<b>18,318,515</b>				<b>15,942,158</b>
<b>Governmental activity capital assets, net</b>	<b>\$ 24,689,921</b>				<b>\$ 22,377,762</b>

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

Governmental activities:	
General government	\$ 421,984
Public Safety	821,902
Transportation	125,757
Economic & Physical Development	4,723
Human Services	338,489
Culture & Recreation	570,948
Environmental Protection	28,960
<b>Total depreciation expense - governmental activities</b>	<b>\$ 2,312,763</b>

Carteret County, North Carolina

Notes to Financial Statements

Note 5. Capital Assets (Continued)

	Capital Assets July 1, 2016	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2017
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 222,608	\$ -	\$ -	\$ -	\$ 222,608
<b>Total capital assets, not being depreciated</b>	<b>222,608</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>222,608</b>
Capital assets, being depreciated:					
Buildings	2,119,264	-	-	-	2,119,264
Infrastructure	9,618,564	-	-	-	9,618,564
Vehicles	37,231	-	-	-	37,231
Equipment	166,448	-	(25,600)	-	140,848
<b>Total capital assets, being depreciated</b>	<b>11,941,507</b>	<b>-</b>	<b>(25,600)</b>	<b>-</b>	<b>11,915,907</b>
Less accumulated depreciation for:					
Buildings	894,800	70,642	-	-	965,442
Infrastructure	3,578,255	277,548	-	-	3,855,803
Vehicles	26,565	4,571	-	-	31,136
Equipment	132,956	13,846	(25,600)	-	121,202
<b>Total accumulated depreciation</b>	<b>4,632,576</b>	<b>\$ 366,607</b>	<b>\$ (25,600)</b>	<b>\$ -</b>	<b>4,973,583</b>
<b>Total capital assets, being depreciated, net</b>	<b>7,308,931</b>				<b>6,942,324</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 7,531,539</b>				<b>\$ 7,164,932</b>

The above depreciation was charged to water activities and the Water Fund.

**Carteret County, North Carolina**

**Notes to Financial Statements**

**Note 5. Capital Assets (Continued)**

Discretely presented component unit information

The following is a summary of the Hospital's capital assets at September 30, 2016:

	Balance September 30, 2015	Additions	Retirements	Adjustment and Transfers	Balance September 30, 2016
Capital assets:					
Capital assets, not being depreciated:					
Construction in progress	\$ 1,754,162	\$ 8,465,425	\$ -	\$ (9,933,395)	\$ 286,192
Land	3,437,515	-	-	-	3,437,515
<b>Total capital assets, not being depreciated</b>	<b>5,191,677</b>	<b>8,465,425</b>	<b>-</b>	<b>(9,933,395)</b>	<b>3,723,707</b>
Capital assets, being depreciated:					
Land improvements	1,080,757	-	-	242,451	1,323,208
Buildings and improvements	72,074,276	46,606	-	5,889,747	78,010,629
Equipment	76,895,696	5,082,852	-	3,248,082	85,226,630
<b>Total capital assets, being depreciated</b>	<b>150,050,729</b>	<b>5,129,458</b>	<b>-</b>	<b>9,380,280</b>	<b>164,560,467</b>
Less accumulated depreciation:					
Land improvements	794,505	64,378	-	-	858,883
Buildings and improvements	16,520,842	2,454,603	-	-	18,975,445
Equipment	56,329,700	8,033,268	-	(548,505)	63,814,463
<b>Total accumulated depreciation</b>	<b>73,645,047</b>	<b>\$ 10,552,249</b>	<b>\$ -</b>	<b>\$ (548,505)</b>	<b>83,648,791</b>
<b>Total capital assets, being depreciated, net</b>	<b>76,405,682</b>				<b>80,911,676</b>
<b>Capital assets, net</b>	<b>\$ 81,597,359</b>				<b>\$ 84,635,383</b>

Legal title to the Hospital's capital assets, except equipment purchased by the Hospital from unrestricted funds, is held by Carteret County. The facilities are leased to the Hospital for an annual rent of \$1. In the event of dissolution of the Hospital or its failure to function as a Hospital or to operate as required in the lease, all of its monies, properties and assets shall revert to Carteret County.

The following is a summary of the ABC Board's capital assets at June 30, 2017:

Land	\$ 1,149,703
Buildings	3,099,387
Furniture and equipment	1,580,522
Leasehold improvements	90,340
Building improvements	112,352
	<b>6,032,304</b>
Less accumulated depreciation	2,735,305
	<b>\$ 3,296,999</b>

**Carteret County, North Carolina**

**Notes to Financial Statements**

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**Note 5. Capital Assets (Continued)**

The following is a summary of the Airport's capital assets at June 30, 2017:

Construction in progress	\$ 2,060,561
Land	1,516,047
Aviation easement	577,000
Equipment	178,159
Vehicle	24,066
Hangers	913,438
Land/runway improvements	8,643,342
	<u>13,912,613</u>
Less accumulated depreciation	1,792,505
	<u>\$ 12,120,108</u>

The following is a summary of the TDA's capital assets at June 30, 2017:

Buildings	\$ 276,000
Other improvements	69,523
Equipment	99,833
Vehicles	32,291
	<u>477,647</u>
Less accumulated depreciation	121,229
	<u>\$ 356,418</u>

**Carteret County, North Carolina**

**Notes to Financial Statements**

**Note 6. Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses at the government-wide level at June 30, 2017, were as follows:

	<b>Vendors</b>	<b>Salaries and Benefits</b>	<b>Total</b>
Governmental activities:			
General	\$ 1,610,404	\$ 1,065,198	\$ 2,675,602
Occupancy Tax	879,821	-	879,821
Other governmental	1,386,686	-	1,386,686
<b>Total governmental activities</b>	<b>\$ 3,876,911</b>	<b>\$ 1,065,198</b>	<b>\$ 4,942,109</b>
Business-type activities:			
Water	\$ 31,663	\$ 11,239	\$ 42,902
<b>Total business - type activities</b>	<b>\$ 31,663</b>	<b>\$ 11,239</b>	<b>\$ 42,902</b>

**Note 7. Deferred Outflows and Inflows of Resources**

The amount of deferred outflows of resources on the government-wide statements and the balance in deferred inflows of resources on the fund statements and government-wide statements at year-end are composed of the following elements:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>Deferred outflows/inflows of resources on the government-wide statements:</b>		
Charges on refunding of debt	\$ 2,165,436	\$ -
Pensions- difference between expected and actual experience	116,216	219,485
Pensions - difference between projected and actual investment earnings	3,412,394	-
Pensions - changes in assumptions		
LGERS and Register of Deeds	489,264	-
LEOSSA	-	22,537
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	255,931	41,519
Contributions to pension plans in fiscal year 2017	1,335,150	-
Prepaid revenue not yet earned (General)	-	36,250
Prepaid taxes not yet earned (General)	-	97,324
<b>Total</b>	<b>7,774,391</b>	<b>417,115</b>
<b>Deferred outflows / inflows of resources on the fund statements:</b>		
Prepaid revenue not yet earned (General)	-	36,250
Prepaid taxes not yet earned (General)	-	97,324
Taxes receivable, net (General)	-	2,648,915
Taxes receivable, net (Special Revenue)	-	631,678
Solid waste fees receivable (General)	-	552,959
<b>Total</b>	<b>\$ -</b>	<b>\$ 3,967,126</b>

**Note 8. Risk Management**

The County 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 County participates in two self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$2 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, and workers' compensation coverage up to the statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of a \$500,000 retention up to a \$2 million per occurrence retention for property, and auto physical damage. For workers' compensation there is a per occurrence retention of \$750,000.

The County carries flood insurance for properties located in the AE zone. For health and dental insurance, the County is insured through a commercial carrier.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The Director of Finance and tax collector are each individually bonded for \$100,000 and \$50,000, respectively. The remaining employees that have access to funds are bonded under a \$250,000 blanket bond.

**Component Unit Information:**

All of the component units are exposed to similar risks as described above for the County and each maintains insurance policies in effect that would minimize the chance of any claims adversely affecting the financial position of the component units.

The Hospital is insured under claims-made policies for the purpose of providing professional and patient care liability insurance. These policies cover only malpractice claims reported to the insurance carrier during the policy term. Coverage includes a \$3,000,000 policy on professional liability limited to \$1,000,000 per case and an excess coverage policy of \$15,000,000 for specified aggregate amounts in excess of the basic coverage.

The ABC Board has commercial property, general liability, auto liability, workers' compensation and employee health coverage. The ABC Board also has liquor legal liability. There have been no significant reductions in insurance coverage from coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

The TDA has property, general liability, workers' compensation, and employee health coverage. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Authority does not carry flood insurance coverage.

The Airport has property and general liability insurance coverage. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Airport carries flood insurance through the National Flood Insurance Plan ("NFIP"). Because certain property of the Airport is in an area of the State that has been mapped and designated an "A or V" area by the Federal Emergency Management Agency, the Airport is eligible to purchase coverage of \$500,000 per structure through the NFIP. The Airport is also eligible to and has purchased additional commercial flood insurance, for both designated zone areas and non-designated areas.

**Carteret County, North Carolina**

**Notes to Financial Statements**

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**Note 9. Long-Term Obligations**

General obligation bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of capital facilities for general government activities and for the construction of Board of Education and Community College properties, which are not recorded as capital assets by the County as disclosed in Note 1. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the County and are serviced by the General Fund. Principal and interest requirements are provided by appropriation in the year in which they become due. The County's general obligation bonds payable at June 30, 2017, are comprised of the following individual issues:

\$4,780,000 - 2011 Refunding Carteret Community College bond due on August 1 and February 1 in varying installments through February 1, 2020; interest at varying rates ranging from 3% to 5.00%	<b>\$ 1,730,000</b>
\$12,700,000 - 2013 Refunding of 2006 School bond due on October 1 and April 1 in varying installments through April 1, 2026; interest at varying rates ranging from 4.00% to 5.00%	<b>11,395,000</b>
\$12,250,000 - 2015 Refunding of 2007 School bond due on October 1 and April 1 in varying installments through April 1, 2027; interest rate at 2.13%	<b>11,915,000</b>
\$4,600,000 - 2015 School bond, due on November 1 and May1 in varying installments through November 1, 2035; interest at interest rates ranging from 3.00% to 5.00%	<b>4,370,000</b>
	<b><u>\$ 29,410,000</u></b>

Annual debt service requirements to maturity for general obligation bonds as of June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest
2018	\$ 3,685,000	\$ 1,020,628
2019	3,625,000	905,290
2020	2,965,000	784,642
2021	2,785,000	673,989
2022	2,770,000	571,761
2023 – 2027	11,510,000	1,349,179
2028 – 2032	1,150,000	230,288
2033 – 2036	920,000	56,203
	<b><u>\$ 29,410,000</u></b>	<b><u>\$ 5,591,980</u></b>

**Carteret County, North Carolina**

**Notes to Financial Statements**

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**Note 9. Long-Term Obligations (Continued)**

Certificates of Participation

The County issues Certificates of Participation to finance the construction of capital facilities used for general government activities and for the construction of Board of Education properties. These obligations are serviced by the General Fund. The County's certificates of participation at June 30, 2017, are comprised of the following:

\$4,680,000 - 2011 limited obligation bonds due on December 1  
and June 1 in varying installments through June 1, 2022, interest  
at 2.51% collateralized by the Western Library and the Beaufort  
Elementary School \$ 2,175,000

Annual debt service requirements to maturity for certificates of participation as of June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest
2018	\$ 445,000	\$ 78,300
2019	440,000	64,950
2020	435,000	47,350
2021	430,000	29,950
2022	425,000	12,750
	<u>\$ 2,175,000</u>	<u>\$ 233,300</u>

**Carteret County, North Carolina**

**Notes to Financial Statements**

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**Note 9. Long-Term Obligations (Continued)**

Installment Purchase Obligations

The County has entered into various installment-financing agreements for equipment and capital improvements where the related equipment and improvements serve as collateral. The County's installment-financing agreements at June 30, 2017, are comprised of the following:

Governmental activities (serviced by the General Fund):

\$2,000,000 - Renovations of Morehead Elementary School for 15 consecutive annual debt service fund installments beginning fiscal year 2007-2008, held by Bank of America	<b>\$ 2,000,000</b>
\$1,781,354 - Renovations of Newport Elementary School for 15 consecutive annual debt service fund installments beginning fiscal year 2009-2010, held by Galena Bank & Trust	<b>851,354</b>
\$9,275,000 - 2009 governmental office space renovation and refunding of 2000 certificates of participation due on December 1 and June 1 in varying installments through June 1, 2020, interest at 3.59% collateralized by Newport Middle School and the County Health Center, held by BB&T	<b>2,387,859</b>
\$4,000,000 QZAB - Renovations of East Carteret High School for 13 consecutive annual installments, beginning in fiscal year 2011-2012, including interest at 5.22%, held by BB&T	<b>2,153,846</b>
\$1,653,860 QSCB - Renovations of schools for 12 consecutive annual installments, beginning in fiscal year 2011-2012, including interest at 4.81%, held by BB&T	<b>826,930</b>
\$407,000 Eastern Region Loan for Morehead City economic development for 59 months; 5 consecutive annual installments beginning fiscal year 2014-15 including 0% interest	<b>162,800</b>
	<b><u>8,382,789</u></b>

Business-type activities (serviced by the Water Fund):

\$589,608 - Construction of water treatment and distribution facilities for 19 consecutive installments, beginning in fiscal year 2004-2005, including interest at 5.75% annual funds provided by State Revolving Fund, held by NCDENR	<b>186,192</b>
\$2,800,000 - Construction of Phase II Waterline extension for 20 consecutive annual installments, beginning in fiscal year 2005 - 2006, including interest at 2.205%, funds provided by State Revolving Fund, held by NCDENR	<b>1,260,000</b>
	<b><u>1,446,192</u></b>
	<b><u>\$ 9,828,981</u></b>

**Carteret County, North Carolina**

**Notes to Financial Statements**

**Note 9. Long-Term Obligations (Continued)**

Annual debt service requirements to maturity for installment financing at June 30, 2017, are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 1,531,914	\$ 237,930	\$ 171,032	\$ 38,489	\$ 1,702,946	\$ 276,419
2019	1,439,773	183,468	171,032	33,618	1,610,805	217,086
2020	1,275,514	132,314	171,032	28,746	1,446,546	161,060
2021	565,514	84,134	171,032	23,875	736,546	108,009
2022	2,570,514	61,443	171,032	19,004	2,741,546	80,447
2023 – 2026	999,560	54,813	591,032	32,654	1,590,592	87,467
	<u>\$ 8,382,789</u>	<u>\$ 754,102</u>	<u>\$ 1,446,192</u>	<u>\$ 176,386</u>	<u>\$ 9,828,981</u>	<u>\$ 930,488</u>

**Revenue Bond**

\$1,046,000 USDA water revenue bond issued on November 26, 2012; interest at 2.75%

bonds due on June 1 in varying installments through June 1, 2052

**\$ 997,000**

Annual debt service requirements to maturity for revenue bonds June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest
2018	\$ 17,000	\$ 27,418
2019	18,000	26,950
2020	18,000	26,455
2021	19,000	25,960
2022	19,000	25,438
2023-2027	104,000	118,993
2028-2032	120,000	103,840
2033-2037	137,000	86,433
2038-2042	157,000	66,495
2043-2047	180,000	43,724
2048-2052	208,000	17,517
	<u>\$ 997,000</u>	<u>\$ 569,223</u>

The County is in compliance with the covenants contained in the USDA bond order as set forth in Article V through VII. The significant bond covenants require: a) that the net revenues (excluding depreciation) for each fiscal year shall not be less than 110% of the debt service requirement for such Fiscal Year and not less than 100% of the amount necessary to meet annual debt service obligations coming due in that Fiscal Year with respect to the County's general obligation bonds and installment financing obligations, if used to finance System Improvements and b) The County shall establish a Debt Service Reserve account to provide for at least one average annual loan installment.

## Carteret County, North Carolina

### Notes to Financial Statements

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#### Note 9. Long-Term Obligations (Continued)

The net revenues coverage calculation for the year ended June 30, 2017, is as follows:

Water Revenue Bond  
Covenant Compliance Calculation

Operating revenues	\$ 584,344
Operating expenses *	(680,911)
Operating income	(96,567)
Nonoperating revenues (expenses)**	4,881
Miscellaneous revenues and transfers	355,548
Net revenues available for debt service	<u>\$ 263,862</u>
110% of FY 16-17 revenue bond debt service requirement	\$ 49,374
100% of FY 16-17 DENR installment loan debt service requirement	214,392
Total FY 16-17 debt service subject to net revenue covenant compliance	<u>\$ 263,766</u>
Debt Service coverage ratio	100%

\* Per covenants, this does not include depreciation expense of \$366,607.

\*\* Per covenants, this does not include revenue bond and installment interest paid of \$71,245.

#### Advance Refundings:

On April 25, 2013, the County issued \$12,700,000 of general obligation advance refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of general resources for all future debt service payments of \$13,400,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$1,677,852. This amount is being netted against the new debt and amortized over the life of the refunded debt which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 9 years by \$746,235 and resulted in an economic gain of \$816,366.

On March 12, 2015, the County issued \$12,250,000 of general obligation advance refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of general resources for all future debt service payments of \$11,300,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$831,962. This amount is being netted against the new debt and amortized over the life of the refunded debt which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 9 years by \$659,676 and resulted in an economic gain of \$799,671.

Debt Related to Capital Activities – Of the total Governmental Activities debt listed only \$367,859 relates to assets for which the County holds title. No restricted cash relates to this debt amount.

**Carteret County, North Carolina**

**Notes to Financial Statements**

**Note 9. Long-Term Obligations (Continued)**

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2017:

	Beginning Balance June 30, 2016	Additions	Retirements	Ending Balance June 30, 2017	Due Within One Year
Governmental activities:					
Bonds/certificates payable:					
General obligation bonds	\$ 33,820,000	\$ -	\$ 4,410,000	\$ 29,410,000	\$ 3,685,000
Certificates of participation	2,630,000	-	455,000	2,175,000	445,000
Bond premiums	2,768,620	-	351,175	2,417,445	-
<b>Total bonds payable</b>	<b>39,218,620</b>	<b>-</b>	<b>5,216,175</b>	<b>34,002,445</b>	<b>4,130,000</b>
Installment purchase obligations	10,031,656	-	1,648,867	8,382,789	1,531,914
Compensated absences	1,336,038	1,209,038	1,174,218	1,370,858	945,238
Net pension liability (LGERS)	1,149,396	4,954,045	-	6,103,441	-
Special separation allowance pension obligations	527,281	441,044	-	968,325	-
Net OPEB obligation	3,195,225	591,143	400,339	3,386,029	-
<b>Governmental activity long-term liabilities</b>	<b>\$ 55,458,216</b>	<b>\$ 7,195,270</b>	<b>\$ 8,439,599</b>	<b>\$ 54,213,887</b>	<b>\$ 6,607,152</b>
Business-type activities:					
Revenue Bond	\$ 1,014,000	\$ -	\$ 17,000	\$ 997,000	\$ 17,000
Installment purchase obligations	1,617,224	-	171,032	1,446,192	171,032
Compensated absences	12,981	17,437	9,494	20,924	8,269
Net pension liability (LGERS)	12,666	55,219	-	67,885	-
<b>Business-type activity long-term liabilities</b>	<b>\$ 2,656,871</b>	<b>\$ 72,656</b>	<b>\$ 197,526</b>	<b>\$ 2,532,001</b>	<b>\$ 196,301</b>

Separation allowance pension obligations and net OPEB obligation for governmental activities typically have been liquidated in the General Fund and are funded on a "pay-as-you-go" basis and "as they come due", respectively.

Compensated absences for governmental activities typically have been liquidated in the General Fund and are accounted for on a Last-In, First-Out ("LIFO") basis, assuming that employees are taking leave as it is earned.

At June 30, 2017, Carteret County had a legal debt margin of \$1,135,246,766.

Component unit information:

The Hospital has several capital lease obligations for certain medical equipment and software at September 30, 2016. The leases expire at various dates through 2018 and have a present value of minimum lease payments of \$491,907.

**Carteret County, North Carolina**

**Notes to Financial Statements**

**Note 9. Long-Term Obligations (Continued)**

Minimum annual lease payments for the Hospital for years subsequent to September 30, 2016, are as follows:

Year Ending September 30,	Amount
2017	\$ 457,312
2018	42,326
Total minimum lease payments	499,638
Less amount representing interest 2.67%-4.00%	(7,731)
Present value of net minimum lease obligations	491,907
Less current maturities	(449,862)
Obligations under capital leases, less current maturities	<u>\$ 42,045</u>

Assets under capital leases had a cost basis of \$3,137,026 and accumulated depreciation on these assets of \$2,385,938 at September 30, 2016.

The Tourism Development Authority entered into an agreement to lease a visitor center. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of their date of inception.

The Authority's agreement was executed October 23, 2014 with the Town of Emerald Isle for the lease of a newly constructed visitor center located in the Town of Emerald Isle and requires 10 monthly payments of \$2,800 in the first year and 110 monthly payments of \$2,800 in the remaining years, which includes interest at a rate of 2.16%. The Authority has the option to purchase the visitor center for the Town for the sum of \$1.

During the fiscal year, the Authority paid off the capital lease obligation and exercised their option to purchase the visitor center from the Town. The payoff amount determined by the Town was \$4,017 lower than the present value of the future minimum lease payments which resulted in a gain.

The following is a summary of changes in the Authority's long-term obligations for the fiscal year ended June 30, 2017:

	Beginning Balance June 30, 2016	Additions	Retirements	Ending Balance June 30, 2017	Due Within One Year
<b>Governmental activities:</b>					
Capitalized leases	\$ 252,783	\$ -	\$ 252,783	\$ -	\$ -
Compensated absences	15,413	4,661	-	20,074	5,019
<b>Governmental activity long-term liabilities</b>	<u>\$ 268,196</u>	<u>\$ 4,661</u>	<u>\$ 252,783</u>	<u>\$ 20,074</u>	<u>\$ 5,019</u>

**Carteret County, North Carolina**

**Notes to Financial Statements**

**Note 9. Long-Term Obligations (Continued)**

Long-term obligations for the ABC Board as of June 30, 2017, are as follows:

Installment loan payable in the original loan amount of \$995,000 payable in monthly payments including interest at 2.40%. Balance shall be due August 13, 2020. Collateralized by real estate.	\$ 250,170
Installment loan payable in the loan amount of \$748,000 with interest payable at 2.40% monthly. Balance due September 13, 2020. Collateralized by real estate. Collateralized by real estate.	187,240
	<u>437,410</u>
Less current maturities	136,815
<b>Long-term debt</b>	<b><u>\$ 300,595</u></b>

Aggregate maturities of the ABC Board's long-term debt at June 30, 2017, are as follows:

Year Ending June 30,	Amount
2018	\$ 136,815
2019	140,135
2020	143,536
2021	16,924
	<u>\$ 437,410</u>

The ABC Board's accumulated earned vacation at June 30, 2017, amounted to approximately \$39,447 and is included in accounts payable.

The Airport Authority's long-term obligations as of June 30, 2017 are as follows:

In March 2017, the Authority entered into a \$92,385 agreement for the purchase of maintenance equipment. The contract bears no interest and requires annual principle payments beginning in the fiscal year 2018.

Annual debt service payments of the installments purchase as of June 30, 2017 are as follows:

Year Ending June 30,	Amount
2018	\$ 18,477
2019	18,477
2020	18,477
2021	18,477
2022	18,477
	<u>\$ 92,385</u>

Changes in long-term debt as of June 30, 2017 are as follows:

	Beginning Balance June 30, 2016	Additions	Retirements	Ending Balance June 30, 2017	Due Within One Year
<b>Governmental activities:</b>					
Installment purchases	\$ -	\$ 92,385	\$ -	\$ 92,385	\$ 18,477

**Note 10. Retirement Systems**

**A. North Carolina Local Governmental Employees' Retirement System**

**Plan description:** Carteret County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the 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, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

**Benefits Provided:** LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

**Contributions:** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2017, was 7.25% of compensation for law enforcement officers and 7.86% for general employees and fire fighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$1,315,412 for the year ended June 30, 2017.

**Refunds of Contributions:** County employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after

Notes to Financial Statements

**Note 10. Retirement Systems (Continued)**

service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2017, the County reported a liability of \$6,171,326 for its proportionate share of the LGERS net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the County's proportion was .291%, which was an increase of .003% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$1,750,468. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 115,949	\$ 216,250
Changes of assumptions	422,681	-
Net difference between projected and actual earnings on pension plan investments	3,411,966	-
Changes in proportion and differences between County contributuions and proportionate share of contributions	254,754	-
County contributions subsequent to the measurement date	1,315,412	-
Total	<u>\$ 5,520,762</u>	<u>\$ 216,250</u>

\$1,315,412 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Years ending June 30:**

2018	\$ 653,144
2019	653,304
2020	1,671,502
2021	1,011,150
2022	-
Thereafter	-
	<u>\$ 3,989,100</u>

**Actuarial Assumptions:** The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

## Carteret County, North Carolina

### Notes to Financial Statements

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#### Note 10. Retirement Systems (Continued)

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

**Discount rate:** The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan

Notes to Financial Statements

**Note 10. Retirement Systems (Continued)**

members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate:** The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
County's proportionate share of the net pension liability (asset)	\$ 14,647,435	\$ 6,171,326	\$ (908,551)

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

**B. Law Enforcement Officers' Special Separation Allowance**

1. Plan Description

Carteret County administers a public employee retirement system (the *Separation Allowance*), a single-employer, defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Active plan members	59
<b>Total</b>	<b>60</b>

2. Summary of Significant Accounting Policies

**Basis of Accounting:** The County has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statement 73:

- Contributions to the pension plan and earnings on those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- Pension plan assets are legally protected from the creditors or employers.

Notes to Financial Statements

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**Note 10. Retirement Systems (Continued)**

3. Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2015 valuation. The total pension liability was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate used to measure the Total Pension Liability is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

Deaths After Retirement (Healthy): RP-2014 Healthy Annuitant base rates projected to valuation date using MP-2015, project forward generationally from the valuation date using MP-2015.

Deaths Before Retirement: RP-2014 Employee base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

Deaths After Retirement (Beneficiary): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 123% for males and females.

Deaths After Retirement (Disabled): RP-2014 Disabled Retiree base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation ate using MP-2015. Rates are adjusted by 103% for males and 99% for females.

**Carteret County, North Carolina**

**Notes to Financial Statements**

**Note 10. Retirement Systems (Continued)**

4. Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration cost of the Separation Allowance are finance through investment earnings. The County has paid \$12,738 as benefits came due for the reporting period.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2017, the County reported a total pension liability of \$968,325. The total pension liability was measured as of December 31, 2016, based on a December 31, 2015 actuarial valuation. For the year ended June 30, 2017 the County recognized pension expense of \$92,461.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	22,537
County benefit payments and plan administrative expense made subsequent of the measurement date	10,150	-
<b>Total</b>	<b>\$ 10,150</b>	<b>\$ 22,537</b>

\$10,150 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Years ending June 30:**

2018	\$ (3,954)
2019	(3,954)
2020	(3,954)
2021	(3,954)
2022	(3,954)
Thereafter	(2,767)
	<u>\$ (22,537)</u>

\$8,347 paid as benefits came due and \$1,803 administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

*Sensitivity of the County's total pension liability to changes in the discount rate.* The following present the County's total pension liability calculated using the discount rate of 3.86%, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.86%) or 1 percentage-point higher (4.86%) than the current rate:

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total pension liability	\$ 1,062,626	\$ 968,325	\$ 882,180

**Carteret County, North Carolina**

**Notes to Financial Statements**

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**Note 10. Retirement Systems (Continued)**

**Schedule of Changes in Total Pension Liability  
Law Enforcement Officers' Special Separation Allowance**

	<u>2017</u>
Beginning Balance as of December 31, 2015 (1)	\$ 912,139
Service Cost	63,079
Interest on the total pension liability	32,336
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions or other inputs	(26,491)
Benefit payments	(12,738)
Other changes	-
Ending balance as of December 31, 2016	<u>\$ 968,325</u>

The plan currently uses mortality table that vary by age, and health statue (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

(1) At June 30, 2016, the amount recorded under GASB Statement 45 provisions was \$527,281. The amount determined under GASB Statement 73 provisions of \$912,139 is shown in this schedule of changes. The difference, net of other minor adjustments, is attributed to an accounting change. See Note 21.

**Note 10. Retirement Systems (Continued)**

**C. Supplemental Retirement Income Plan for Law Enforcement Officers**

**Plan description:** The County and ABC Board contribute to the Supplemental Retirement Income Plan (“Plan”), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County and ABC Board. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (“CAFR”) for the State of North Carolina. The State’s CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. 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.

**Funding policy:** Article 12E of G.S. Chapter 143 requires the County and ABC Board to contribute each month an amount equal to five percent of each officer’s salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions from the County for the year ended June 30, 2017 were \$181,332, which consisted of \$129,017 from the County and \$52,315 from law enforcement officers. Contributions from the ABC Board for the year ended June 30, 2017 consisted of \$3,787 from the Board and zero from the law enforcement officers. No amounts were forfeited.

**D. Supplemental Retirement Income Plan for General Employees**

**Plan description:** Carteret County and ABC Board contribute to the Supplemental Retirement Income Plan (“Plan”), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to general employees of the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

**Funding policy:** The County has voluntarily elected to contribute each month an amount equal to five percent of each employee’s salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2017, were \$1,146,801, which consisted of \$761,242 from the County and \$385,559 from the employees. The ABC Board has voluntarily elected to make matching contributions on behalf of participating employees up to 5% of their eligible wages. All amounts contributed are vested immediately. Contributions from the ABC Board for the year ended June 30, 2017 consisted of \$23,747. No amounts were forfeited.

**E. Registers of Deeds’ Supplemental Pension Fund**

**Plan description:** Carteret County also contributes to the Registers of Deeds’ Supplemental Pension Fund (RODSPF), a noncontributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Governmental Employees’ Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and the State Superintendent, who serve as ex-officio members. The Register of Deeds’ Supplemental Pension Fund 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 the Registers of Deeds’ Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina, 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

## Carteret County, North Carolina

### Notes to Financial Statements

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#### Note 10. Retirement Systems (Continued)

**Benefits Provided:** An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least 10 years of service as a register of deeds with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

**Contributions:** Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contribution to the pension plan from the County were \$9,588 for the year ended June 30, 2017.

#### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the County reported an asset of \$249,915 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2016, the County's proportion was 1.34%, which was an increase of .25% from its proportion measured as of June 30, 2015.

At June 30, 2017, the County recognized pension expense of (\$2,073). At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 267	\$ 3,235
Changes in Assumptions	66,583	-
Net difference between projected and actual earnings on pension plan investments	428	-
Changes in proportion and differences between County contributions and proportionate share of contributions	1,177	41,519
County contributions subsequent to the measurement date	9,588	-
Total	<u>\$ 78,043</u>	<u>\$ 44,754</u>

\$9,588 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

## Carteret County, North Carolina

### Notes to Financial Statements

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#### Note 10. Retirement Systems (Continued)

##### Years ending June 30:

2018	\$	10,298
2019		11,001
2020		5,193
2021		(2,791)
2022		-
Thereafter		-
	\$	<u>23,701</u>

**Actuarial Assumptions:** The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	3.75 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2016 is 1.4%.

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

**Discount rate:** The discount rate used to measure the total pension liability was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Carteret County, North Carolina**

**Notes to Financial Statements**

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**Note 10. Retirement Systems (Continued)**

**Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate:** The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 3.75 percent, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current rate:

	<b>1% Decrease (2.75%)</b>	<b>Discount Rate (3.75%)</b>	<b>1% Increase (4.75%)</b>
County's proportionate share of the net pension liability (asset)	\$ (201,512)	\$ (249,915)	\$ (290,578)

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

**F. Carteret County ABC Board Retirement Systems**

North Carolina Local Governmental Employees' Retirement System

**Plan description:** The ABC Board is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the 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, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

**Benefits Provided:** LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible

Notes to Financial Statements

**Note 10. Retirement Systems (Continued)**

beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

**Contributions:** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The ABC Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The ABC Board's contractually required contribution rate for the year ended June 30, 2017, was 8.00% of compensation for law enforcement officers and 7.44% for general employees actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost benefits earned by employees during the year. Contributions to the pension plan from the ABC Board were \$51,852 for the year ended June 30, 2017.

**Refunds of Contribution:** Board employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2017, the Board reported a liability of \$184,218 for its proportionate share of the net pension asset. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension asset was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the Board's proportion was 0.0087% which was an increase of 0.00018% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Board recognized pension expense of \$55,904. At June 30, 2017, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 3,461	\$ 6,454
Changes of assumptions	12,617	
Net difference between projected and actual earnings on pension plan investments	101,849	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	17,354	-
ABC Board's contributions subsequent to the measurement date	51,852	-
Total	<u>\$ 187,133</u>	<u>\$ 6,454</u>

\$51,852 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Carteret County, North Carolina**

**Notes to Financial Statements**

**Note 10. Retirement Systems (Continued)**

**Years ending June 30:**

2018	\$ 22,343
2019	22,349
2020	52,628
2021	31,508
2022	-
Thereafter	-
	<u>\$ 128,828</u>

**Actuarial Assumptions:** The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic

Notes to Financial Statements

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**Note 10. Retirement Systems (Continued)**

annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

**Discount rate:** The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Board’s proportionate share of the net pension asset to changes in the discount rate:** The following presents the Board’s proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Board’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Board’s proportionate share of the net pension liability (asset)	\$ 437,237	\$ 184,218	\$ (27,121)

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

**G. Carteret County General Hospital Corporation Pension Plan**

**Money Purchase Pension Plan** – Hospital retirement benefits are provided through a money purchase defined contribution plan for all eligible employees of the Hospital. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974.

The Hospital contributed an amount equal to 4% of eligible employee’s base salary. Contributions for the year ended September 30, 2016, were approximately \$1,534,000. The Hospital’s contributions for each employee (and plan earnings allocated to the employee’s account) are fully vested after three years of continuous service. Hospital contributions, and plan earnings thereon for employees who leave employment before three years of service are used to reduce the Hospital’s current-period contribution requirement.

The Hospital also provides a defined contribution plan under Section 403(b) of the Internal Revenue Code. This plan is available to all eligible employees of the Hospital with employee contributions made through payroll deductions authorized by the employee. The Hospital contributed 100% of the first 2% contributed by the employee. Employees are fully vested in Hospital contributions upon participation in the 403(b) retirement plan. Contributions for the year ended September 30, 2016, were approximately \$724,000.

**H. Carteret County Tourism Development Authority Retirement Plan**

The TDA adopted a simplified employee pension - Individual Retirement Account for each of its full-time employees who have completed one year of employment. The TDA’s contribution is 4% of salary for qualifying employees. The TDA’s contribution amount for the fiscal year ended June 30, 2017, was \$7,705.

**Carteret County, North Carolina**

**Notes to Financial Statements**

**Note 11. Other Post-Employment Benefits**

Healthcare Benefits

**Plan description.** Under the terms of a County personnel policy, the County administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). As of August 5, 2002, this plan provides postemployment healthcare benefits to retirees of the County, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) for at least 20 years, and retire with at least ten years of creditable service with the County. The Plan is available to qualified retirees until Medicare eligible. Prior to August 5, 2002, employees qualified for similar level benefits after at least five years of creditable service with the County. The County pays the full cost of coverage for these benefits through private insurers. Also, the County's retirees can purchase coverage for themselves and their spouses at the County's group rates. The County Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

Retired Employees' Years of Creditable Service	Date Hired	
	Pre-July 1, 2007	On or after July 1, 2007
Less than 5 years	Not eligible for coverage	Not eligible for coverage
5 - 20 years	Full coverage paid for by County	Not eligible for coverage
20+ years	Full coverage paid for by County	Full coverage paid for by County

Membership of the HCB Plan consisted of the following at December 31, 2015, the date of the latest actuarial valuation:

	<b>General Employees</b>	<b>Law Enforcement Officers</b>
Retirees and spouses receiving benefits	<b>34</b>	<b>4</b>
Active plan members	<b>355</b>	<b>58</b>
<b>Total</b>	<b>389</b>	<b>62</b>

**Funding policy.** The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under the County personnel policy that can be amended by the County Commissioners. The County's members pay \$882 per month for dependent coverage. The County has chosen to fund the healthcare benefits on a pay-as-you-go basis, from the General Fund.

The current annual required contribution ("ARC") rate is 3.46% of annual covered payroll. For the current year, the County contributed \$400,339 or 2.36% of annual covered payroll. The County obtains healthcare coverage through private insurers. There were no contributions made by employees or retirees, except for dependent and spouse coverage in the amount of \$133,246. The County's obligation to contribute to the HCB Plan is established and may be amended by the County Commissioners.

**Summary of significant accounting policies.** Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Notes to Financial Statements

**Note 11. Other Post-Employment Benefits (Continued)**

**Annual OPEB Cost and Net OPEB Obligation.** The County's annual OPEB cost (expense) is calculated based on the ARC of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the County's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 585,431
Interest on net OPEB obligation	127,809
Adjustment to annual required contribution	(122,097)
<b>Annual OPEB cost</b>	<b>591,143</b>
Benefit payments made	(400,339)
<b>Increase in net OPEB obligation</b>	<b>190,804</b>
Net OPEB obligation, beginning of year	3,195,225
Net OPEB obligation, end of year	<u>\$ 3,386,029</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2017, were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 592,575	57.82%	\$ 2,899,066
2016	610,657	51.50%	3,195,255
<b>2017</b>	<b>591,143</b>	<b>67.72%</b>	<b>3,386,029</b>

**Funded status and funding progress.** As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability ("UAAL") was \$6,038,995. The covered payroll (annual payroll of active employees covered by the plan) was \$16,933,878, and the ratio of the UAAL to the covered payroll was 35.7%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Note 11. Other Post-Employment Benefits (Continued)**

**Actuarial methods and assumptions.** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.75 percent declining to 5.00 percent annually. The investment rate included a 3.00 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2015, was 30 years.

**Note 12. Other Employment Benefits**

The County and the ABC Board have 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 multiemployer, State administered, cost-sharing plan funded on a one-year term cost basis. Lump-sum death benefits are provided to beneficiaries of those employees: 1) who die in active service after one year of contributing membership in the System, or 2) 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 employees' death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000 for the County and for the ABC Board. All death benefit payments are made from the Death Benefit Plan. The County and the ABC Board have 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 County considers these contributions to be immaterial.

For the fiscal year ended June 30, 2017, the County made contributions to the State for death benefits of \$20,652. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.11% and 0.14% of covered payroll, respectively.

## Carteret County, North Carolina

### Notes to Financial Statements

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#### Note 13. Additional Social Welfare Expenditures

The benefit payments listed below were issued directly from the State to recipients of the County on its behalf. These amounts represent additional Federal and State financial assistance to the residents of the County but are not reflected in the financial statements because the County has no primary responsibilities beyond making eligibility determinations.

	<b>Federal</b>	<b>State</b>
Medicaid	<b>\$ 48,015,304</b>	<b>\$ 25,579,918</b>
TANF	<b>232,595</b>	-
WIC	<b>803,278</b>	-
Health Choice	<b>1,485,965</b>	<b>4,775</b>
Special Assistance	-	<b>332,922</b>
CWS Adoption Subsidy	-	<b>206,528</b>
	<b>\$ 50,537,142</b>	<b>\$ 26,124,143</b>

#### Note 14. Joint Ventures

The County, in conjunction with Craven County and Pamlico County, participates in the Coastal Regional Solid Waste Management Authority ("Waste Management Authority"). Carteret County appoints two members of the seven-member board. The Waste Management Authority is a joint venture established to provide solid waste management within these counties. The County has an ongoing financial responsibility for the Waste Management Authority because it and the other counties are legally obligated under the intergovernmental agreement that created the Waste Management Authority to honor any deficiencies in the event that proceeds from other sources are insufficient. The County did not contribute any funds to the Waste Management Authority during the fiscal year ended June 30, 2017. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2017. Complete financial statements for the Waste Management Authority can be obtained from the Waste Management Authority's administrative offices at 7400 Old Highway 70 West, Cove City, North Carolina 28523.

The County, in conjunction with the State of North Carolina and the Carteret County Board of Education, participates in a joint venture to operate Carteret Community College. The County appoints four members of the twelve-member board of trustees of the community college. The community college is included as a component unit of the State of North Carolina. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. In addition to providing annual appropriations for the facilities, the County periodically issues general obligation bonds and bank installment loans to provide financing for new and restructured facilities. Of the last general obligation bond issue for this purpose, \$1,730,000 in debt is still outstanding. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's facilities. The County contributed \$3,429,000 to the Community College during the fiscal year ended June 30, 2017. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the financial statements at June 30, 2017. Complete financial statements for the Community College may be obtained from the Community College's administrative offices at 3505 Arendell Street, Morehead City, North Carolina 28557.

## Carteret County, North Carolina

### Notes to Financial Statements

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#### Note 15. Jointly Governed Organizations

##### Regional Library

The County, in conjunction with two other counties, governs the operations of the Craven-Pamlico-Carteret Regional Library. Each participating government appoints three board members to the nine-member board. The County has no ongoing financial responsibility for the joint venture because the library's continued existence depends on the State of North Carolina's continued funding. None of the participating governments have any equity interest in the library, so no equity interest has been reflected in the financial statements at June 30, 2017. During the year ended June 30, 2017, the County contributed \$1,139,000 to the library in Carteret County.

#### Note 16. Commitments and Contingencies

##### Litigation

The County is named defendant in several lawsuits related to carrying out its functions. Based upon its consultations with the County's attorneys, the County believes its ultimate liability, if any, will not be significant.

##### Operating Lease

During the fiscal year ended June 30, 2009, the County entered into a ten-year office lease agreement for the Carteret County Board of Elections, the Carteret County Library and various other County offices. Rent under this lease for the year ended June 30, 2017 amounted to \$116,500. Future minimum lease payments for the office lease are as follows:

<b>Year ending June 30,</b>	<b>Annual Lease Payment</b>
2018	<u>\$ 116,500</u>

##### Construction Commitment

The County has the following construction commitments as of June 30, 2017:

<b>Project</b>	<b>Spent-To-Date</b>	<b>Remaining Commitment</b>
General Services Building Construction	<u>\$ 1,145,465</u>	<u>\$ 1,362,573</u>

##### Federal and State Assisted Programs

The County has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. County administrators believe that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

##### Component unit information:

The Hospital is insured under claims-made policies for the purpose of providing professional and patient care liability insurance. These policies cover only malpractice claims reported to the insurance carrier during the policy term. Coverage includes a \$3,000,000 policy on professional liability limited to \$1,000,000 per case and an excess coverage policy of \$15,000,000 for specified aggregate amounts in excess of the basic coverage. The excess coverage is an occurrence policy with a retroactive date of

**Carteret County, North Carolina**

**Notes to Financial Statements**

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**Note 16. Commitments and Contingencies (Continued)**

June 15, 1976. Incidents occurring through September 30, 2016, may result in the assertion of a claim. In the opinion of management, these actions would be successfully defended or resolved without material adverse effect on the financial position of the Hospital.

The ABC Board has elected to pay direct costs of employment securities benefits in lieu of employment security taxes on payroll. A liability for benefit payments could accrue in the year following discharge of employees.

The Airport has the following construction commitments as of June 30, 2017:

<b>Project</b>	<b>Spent-To-Date</b>	<b>Remaining Commitment</b>
Hangar Taxilane - Construction	\$ 34,369	\$ 48,155
Parallell Taxiway	2,026,192	48,155
	<u>\$ 2,060,561</u>	<u>\$ 96,310</u>

**Note 17. Inter-fund and Intra-Entity Receivables and Payables**

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General Fund	Occupancy Tax	
	Occupancy tax distribution	\$ 324,053
	2003 CDBG Scattered Site	11,652
		<u>\$ 335,705</u>

Due to/from primary government and component units:

<b>Receivable Entity</b>	<b>Payable Entity</b>	<b>Amount</b>
Primary government:	Component unit:	
General Fund	Carteret County ABC Board	
	Net income distribution due to County	
	June 30, 2017	<u>\$ 186,107</u>

**Carteret County, North Carolina**

**Notes to Financial Statements**

**Note 18. Inter-fund Transfers and Intra-Entity Transactions with Component Units**

Transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended are recorded as transfers, and are reported as other financing sources (uses) in the Governmental funds and non-operating revenues (expenses) in the Enterprise Fund.

Inter-fund transfers for the year ended June 30, 2017, are as follows:

<b>Transfers Out</b>	<b>Transfers In</b>			<b>Total</b>
	<b>Major General</b>	<b>Non-Major Governmental Funds</b>	<b>Major Water Fund</b>	
Major General Fund	\$ -	\$ 3,672,500	\$ -	\$ 3,672,500
Major Occupancy Tax Fund	3,554,985	-	-	3,554,985
Other Governmental Funds	-	-	355,000	355,000
<b>Total transfers out</b>	<b>\$ 3,554,985</b>	<b>\$ 3,672,500</b>	<b>\$ 355,000</b>	<b>\$ 7,582,485</b>

Transfers consist primarily of the following:

<b>\$ 3,672,500</b>	Transfer from General Fund for various current and future capital projects and to supplement other funding sources in the special revenue and capital projects funds
<b>3,554,985</b>	Transfer from Occupancy Tax Fund in accordance with North Carolina General Statutes
<b>355,000</b>	Transfer from Water Taxing District Fund to the Water Fund to fund capital and debt service

Intra-entity transactions with discretely presented component units for the year ended June 30, 2017, are as follows:

Expenditures from General Fund to Beaufort-Morehead City Airport Authority for operations and capital improvements	<b>\$ 133,957</b>
Expenditures from Occupancy Tax Fund to Carteret County Tourism Development Authority for portion of Room Occupancy Tax	<b>3,474,688</b>
	<b><u>\$ 3,608,645</u></b>
Profit Contributions from ABC Board to General Fund	<b><u>\$ 773,521</u></b>

**Note 19. Pronouncements Issued, Not Yet Effective**

The GASB has issued several pronouncements prior to June 30, 2017, that have effective dates that may affect future financial presentation.

Management has not currently determined what, if any, effect implementation of the following statements may have on the financial statements of Carteret County.

**Note 19. Pronouncements Issued, Not Yet Effective (Continued)**

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and will enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. This Statement is effective for fiscal years beginning after June 15, 2017.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement will enhance accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016.

In March 2016, GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement will address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on this guidance. This Statement is effective for fiscal years beginning after June 15, 2018.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is generally on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is effective for fiscal years beginning after June 15, 2017.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. This Statement is effective for fiscal years beginning after December 15, 2019.

## **Carteret County, North Carolina**

### **Notes to Financial Statements**

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#### **Note 20. Subsequent Events**

The County has evaluated its subsequent events (events occurring after June 30, 2017) through December 14, 2017, which represents the date the financial statements were available to be issued.

#### **Note 21. Change in Accounting Principles / Restatement**

The County implemented Governmental Accounting Standards Board (GASB) No. Statement 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68, in fiscal year ended June 30, 2017. The implementation of the statement required the County to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the County to the Law Enforcement Officers' Special Separation Allowance during the measurement period (year ended December 31, 2016). As a result, net position the governmental activities decreased \$371,037. The County also implemented GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans for the Healthcare Benefits Plan. The implementation of this statement had no effect on net position.

Supplemental  
Financial Data

# Required Supplemental Financial Data

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This section contains additional information required by generally accepted accounting principles.

**Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance**

**Schedule of Total Pension Liability as a Percentage of Covered Payroll – Law Enforcement Officers' Special Separation Allowance**

**Schedule of Funding Progress for the Other Postemployment Benefits**

**Schedule of Employer Contributions for the Other Postemployment Benefits**

**Notes to the Required Schedules for the Other Postemployment Benefits**

**Schedule of County's Proportionate Share of Net Pension Liability (LGERS)**

**Schedule of County Contributions (LGERS)**

**Schedule of County's Proportionate Share of Net Pension Asset (ROD)**

**Schedule of County Contributions (ROD)**

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**Carteret County, North Carolina**

**Schedule of Changes in Total Pension Liability  
Law Enforcement Officers' Special Separation Allowance  
For Year Ended June 30, 2017**

	<u><b>2017</b></u>
Beginning balance	\$ 912,139
Service cost	63,079
Interest on the total pension liability	32,336
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(26,491)
Benefit payments	(12,738)
Other changes	-
Ending balance of the total pension liability	<u><u><b>\$ 968,325</b></u></u>

The amounts presented for the fiscal year were determined as of the prior December 31

**Carteret County, North Carolina**

**Schedule of Total Pension Liability as a Percentage of Covered Payroll  
Law Enforcement Officers' Special Separation Allowance  
For Year Ended June 30, 2017**

	<u>2017</u>
Total pension liability	\$ 968,325
Covered payroll	2,577,824
Total pension liability as a percentage of covered payroll	37.56%

Notes to the schedules:

The County has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB 73 nor does the Plan provided pay related benefits.

**Carteret County, North Carolina**

**Other Postemployment Benefits  
Required Supplementary Information  
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial value of assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ( (b-a) /c)
12/31/2011	\$ -	\$ 6,392,506	\$ 6,392,506	0.00%	\$ 14,771,980	43.30%
12/31/2013	-	6,105,230	6,105,230	0.00%	14,537,708	42.00%
12/31/2015	-	6,038,995	6,038,995	0.00%	16,933,878	35.70%

**Carteret County, North Carolina**

**Other Postemployment Benefits  
Required Supplementary Information  
Schedule of Employer Contributions**

Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2015	\$ 587,839	58.29%
2016	605,474	51.94%
2017	585,431	68.38%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2015
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	7.75% - 5.00%
Year of Ultimate trend rate	2022
*Includes inflation at	3.00%

The assumed investment rate of return reflects the fact that no assets are set aside within Carteret County that are legally held exclusively for retiree health benefits. If a trust or equivalent arrangement were set up for this purpose, the investment rate of return can be increased.

**Carteret County, North Carolina**

**Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)**

**Required Supplementary Information**

**Local Governmental Employees' Retirement System**

Last Four Fiscal Years\*

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
County's proportion of the net pension liability (asset) %	0.29078%	0.25893%	0.25688%	0.24810%
County's proportionate share of the net pension liability (asset) \$	\$ 6,171,326	\$ 1,162,062	\$ (1,514,940)	\$ 2,990,558
County's covered employee payroll	17,057,781	15,801,403	14,891,061	14,737,702
County's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	36.18%	7.35%	-10.17%	20.29%
Plan fiduciary net position as a percentage of the total pension liability	91.47%	98.09%	102.64%	94.35%

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

**Carteret County, North Carolina**

**Schedule of County Contributions  
 Required Supplementary Information  
 Local Governmental Employee's Retirement System**

Last Four Fiscal Years

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 1,325,845	\$ 1,167,788	\$ 1,150,353	\$ 1,062,954
Contributions in relation to the contractually required contribution	1,325,845	1,167,788	1,150,353	1,062,954
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
County's covered-employee payroll	\$ 18,208,239	\$ 17,057,781	\$ 15,801,403	\$ 14,891,061
Contributions as a percentage of covered employee payroll	7.28%	6.85%	7.28%	7.14%

**Carteret County, North Carolina**

**Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)**

**Required Supplementary Information**

**Registers of Deeds' Supplemental Pension Fund**

Last Four Fiscal Years\*

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
County's proportion of the net pension liability (asset) %	1.33673%	1.09128%	1.10071%	1.12857%
County's proportionate share of the net pension liability (asset) \$	\$ (249,915)	\$ (252,893)	\$ (249,489)	\$ (241,063)
County's covered employee payroll	41,841	46,233	46,233	46,233
County's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	-597.30%	-547.00%	-539.63%	-521.41%
Plan fiduciary net position as a percentage of the total pension liability	160.17%	197.29%	193.88%	190.50%

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

**Carteret County, North Carolina**

**Schedule of County Contributions  
Required Supplementary Information  
Registers of Deeds' Supplemental Pension Fund  
Last Four Fiscal Years**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 9,588	\$ 9,494	\$ 8,732	\$ 8,987
Contributions in relation to the contractually required contribution	9,588	9,494	8,732	8,987
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
County's covered-employee payroll	\$ 41,841	\$ 46,233	\$ 46,233	\$ 46,233
Contributions as a percentage of covered employee payroll	22.92%	20.54%	18.89%	19.44%

# Major Funds

# General Fund



Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Year Ended June 30, 2017

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes:			
Current period	\$ 44,361,000	\$ 44,595,689	\$ 234,689
Prior years	855,000	903,297	48,297
Interest and penalties	291,000	362,625	71,625
	<u>45,507,000</u>	<u>45,861,611</u>	<u>354,611</u>
Other taxes:			
ABC local bottle tax	35,000	39,265	4,265
Local option sales tax	13,170,000	13,831,727	661,727
Privilege licenses	-	9,260	9,260
	<u>13,205,000</u>	<u>13,880,252</u>	<u>675,252</u>
Permits and fees:			
Sheriff fees	150,000	195,322	45,322
Register of deeds	1,232,900	1,280,037	47,137
Franchise fees	470,000	447,077	(22,923)
Building and Inspection fees	540,000	724,237	184,237
Environmental health fees	280,000	351,750	71,750
Other fees	163,422	481,758	318,336
	<u>2,836,322</u>	<u>3,480,181</u>	<u>643,859</u>
Intergovernmental:			
Restricted:			
Federal and State grants	12,631,478	12,774,103	142,625
Lottery proceeds	600,000	600,000	-
Court facilities fees	115,000	101,896	(13,104)
Unrestricted:			
Beer and wine tax	175,000	179,657	4,657
Payments in lieu of taxes	-	191,067	191,067
ABC profits	600,000	773,521	173,521
Croatan National Forest	50,000	36,276	(13,724)
	<u>14,171,478</u>	<u>14,656,520</u>	<u>485,042</u>
Sales and services:			
Solid waste	3,095,000	3,271,073	176,073
Civic center fees	226,260	241,050	14,790
Other	414,650	477,492	62,842
	<u>3,735,910</u>	<u>3,989,615</u>	<u>253,705</u>
Interest	<u>250,000</u>	<u>300,068</u>	<u>50,068</u>
Miscellaneous:			
Other	168,310	286,780	118,470
	<u>168,310</u>	<u>286,780</u>	<u>118,470</u>
<b>Total revenues</b>	<u><b>79,874,020</b></u>	<u><b>82,455,027</b></u>	<u><b>2,581,007</b></u>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)  
Year Ended June 30, 2017

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
<b>Expenditures</b>			
General government:			
Governing body:			
Salaries and employee benefits		51,648	
Operating expenses		162,826	
Professional services		73,753	
	<u>303,720</u>	<u>288,227</u>	<u>15,493</u>
Administration:			
Salaries and employee benefits		366,225	
Operating expenses		38,798	
	<u>452,130</u>	<u>405,023</u>	<u>47,107</u>
Information systems:			
Salaries and employee benefits		590,954	
Operating expenses		996,573	
Capital outlay		166,057	
	<u>1,756,380</u>	<u>1,753,584</u>	<u>2,796</u>
Finance:			
Salaries and employee benefits		567,645	
Operating expenses		92,934	
	<u>690,740</u>	<u>660,579</u>	<u>30,161</u>
Human resources:			
Salaries and employee benefits		282,031	
Operating expenses		87,941	
	<u>408,935</u>	<u>369,972</u>	<u>38,963</u>
Tax and revluation:			
Salaries and employee benefits		1,121,862	
Operating expenses		89,460	
Contract services		420,129	
	<u>1,656,555</u>	<u>1,631,451</u>	<u>25,104</u>
Legal:			
Professional services		48,590	
	<u>70,000</u>	<u>48,590</u>	<u>21,410</u>
Court facilities:			
Salaries and employee benefits		630	
Operating expenses		59,980	
	<u>77,700</u>	<u>60,610</u>	<u>17,090</u>
Elections:			
Salaries and employee benefits		297,463	
Operating expenses		156,444	
	<u>486,870</u>	<u>453,907</u>	<u>32,963</u>
Register of deeds:			
Salaries and employee benefits		307,662	
Operating expenses		187,580	
	<u>643,085</u>	<u>495,242</u>	<u>147,843</u>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)  
Year Ended June 30, 2017

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Public buildings:			
Salaries and employee benefits		375,352	
Operating expenses		861,741	
Capital outlay		47,046	
	<u>1,409,105</u>	<u>1,284,139</u>	<u>124,966</u>
<b>Total general government</b>	<b><u>7,955,220</u></b>	<b><u>7,451,324</u></b>	<b><u>503,896</u></b>
Public safety:			
Sheriff:			
Salaries and employee benefits		3,663,424	
Operating expenses		808,382	
Contract services		76,896	
Capital outlay		276,692	
	<u>4,936,494</u>	<u>4,825,394</u>	<u>111,100</u>
Sheriff - Jail division:			
Salaries and employee benefits		1,564,258	
Operating expenses		875,522	
Contract services		254,263	
	<u>2,873,355</u>	<u>2,694,043</u>	<u>179,312</u>
Paramedic operations:			
Salaries and employee benefits		728,049	
Operating expenses		133,790	
	<u>964,605</u>	<u>861,839</u>	<u>102,766</u>
Emergency management:			
Salaries and employee benefits		164,945	
Operating expenses		23,363	
Contracted services		48,291	
Capital outlay		35,838	
	<u>337,190</u>	<u>272,437</u>	<u>64,753</u>
Rape crisis program:			
Salaries and employee benefits		230,508	
Operating expenses		52,623	
	<u>300,820</u>	<u>283,131</u>	<u>17,689</u>
Fire Marshall:			
Salaries and employee benefits		106,236	
Operating expenses		20,010	
	<u>129,415</u>	<u>126,246</u>	<u>3,169</u>
Consolidated Communications:			
Salaries and employee benefits		1,293,896	
Operating expenses		226,508	
	<u>1,739,915</u>	<u>1,520,404</u>	<u>219,511</u>
Medical examiner:			
Professional services		121,000	50

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)  
Year Ended June 30, 2017

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Animal control:			
Salaries and employee benefits		243,028	
Operating expenses		269,651	
Capital outlay		18,546	
	<u>592,375</u>	<u>531,225</u>	<u>61,150</u>
<b>Total public safety</b>	<b>11,995,169</b>	<b>11,235,669</b>	<b>759,500</b>
Transportation:			
Harbors:			
Operating expenses	25,000	22,445	2,555
	<u>133,960</u>	<u>133,957</u>	<u>3</u>
Beaufort-Morehead City Airport Authority			
CCATS:			
Salaries and employee benefits		612,678	
Operating expenses		233,152	
Capital outlay		27,461	
	<u>1,013,335</u>	<u>873,291</u>	<u>140,044</u>
<b>Total transportation</b>	<b>1,172,295</b>	<b>1,029,693</b>	<b>142,602</b>
Environmental protection:			
Forest fire control	134,925	108,090	26,835
	<u>2,857,500</u>	<u>2,857,066</u>	<u>434</u>
Tri-County solid waste collections			
Public works:			
Salaries and employee benefits		389,561	
Operating expenses		282,980	
Capital outlay		8,143	
	<u>743,974</u>	<u>680,684</u>	<u>63,290</u>
<b>Total environmental protection</b>	<b>3,736,399</b>	<b>3,645,840</b>	<b>90,559</b>
Economic and physical development:			
Economic development operating		56,833	
Capital outlay		450,000	
	<u>550,000</u>	<u>506,833</u>	<u>43,167</u>
Beach nourishment:			
Salaries and employee benefits		149,207	
Operating expenses		11,018	
Contract services		484,604	
	<u>947,475</u>	<u>644,829</u>	<u>302,646</u>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)  
Year Ended June 30, 2017

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Planning and zoning:			
Salaries and employee benefits		630,869	
Operating expenses		115,204	
Contract services		21,879	
	<u>863,557</u>	<u>767,952</u>	<u>95,605</u>
General services:			
Salaries and employee benefits		80,575	
Operating expenses		7,802	
	<u>94,745</u>	<u>88,377</u>	<u>6,368</u>
Cooperative extension:			
Salaries and employee benefits		57,732	
Operating expenses		169,488	
Capital outlay		18,973	
	<u>253,355</u>	<u>246,193</u>	<u>7,162</u>
<b>Total economic and physical development</b>	<u>2,709,132</u>	<u>2,254,184</u>	<u>454,948</u>
Human Services:			
Health center:			
Salaries and employee benefits		1,873,712	
Operating expenses		515,418	
	<u>2,631,254</u>	<u>2,389,130</u>	<u>242,124</u>
Dental program			
Salaries and employee benefits		262,765	
Operating expenses		44,255	
	<u>321,965</u>	<u>307,020</u>	<u>14,945</u>
Women, infants, and children:			
Salaries and employee benefits		247,981	
Operating expenses		3,909	
	<u>257,258</u>	<u>251,890</u>	<u>5,368</u>
Environmental health:			
Salaries and employee benefits		885,111	
Operating expenses		80,809	
	<u>1,086,516</u>	<u>965,920</u>	<u>120,596</u>
Mental health:			
Mental health center and other		198,000	
Mental health, ABC		30,000	
	<u>228,000</u>	<u>228,000</u>	<u>-</u>
DSS administration:			
Salaries and employee benefits		6,552,965	
Operating expenses		546,760	
Capital outlay		35,990	
	<u>7,800,789</u>	<u>7,135,715</u>	<u>665,074</u>
General assistance	<u>500,750</u>	<u>389,182</u>	<u>111,568</u>
TANF Block grant:			
TANF Block grant		29,050	
Operating expenses		18,708	
	<u>201,000</u>	<u>47,758</u>	<u>153,242</u>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)  
Year Ended June 30, 2017

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
DSS special assistance	2,794,960	2,612,234	182,726
Special projects	788,910	603,022	185,888
Other human services	451,415	417,448	33,967
Veteran services:			
Salaries and employee benefits		248,210	
Operating expenses		52,673	
	354,185	300,883	53,302
Senior center aging programs:			
Salaries and employee benefits		237,356	
Operating expenses		73,383	
Contract services		90,655	
	472,039	401,394	70,645
<b>Total human services</b>	<b>17,889,041</b>	<b>16,049,596</b>	<b>1,839,445</b>
Culture and recreation:			
Senior center:			
Salaries and employee benefits		136,062	
Operating expenses		65,093	
Contract services		9,152	
	250,070	210,307	39,763
Carteret County Library:			
Appropriations to Library Systems	1,280,725	1,280,723	2
Parks and recreation:			
Salaries and employee benefits		518,505	
Operating expenses		231,076	
Contract services		40,243	
	800,540	789,824	10,716
Parks and recreation maintenance:			
Salaries and employee benefits		434,800	
Operating expenses		251,950	
Capital outlay		7,179	
	755,595	693,929	61,666
Civic center:			
Salaries and employee benefits		211,284	
Operating expenses		244,144	
	476,510	455,428	21,082
<b>Total culture and recreation</b>	<b>3,563,440</b>	<b>3,430,211</b>	<b>133,229</b>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)  
Year Ended June 30, 2017

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Education:			
Public schools, current expense	22,479,000	22,479,000	-
Community college, current expense	2,464,000	2,464,000	-
Community college, capital outlay	230,000	230,000	-
<b>Total education</b>	<b>25,173,000</b>	<b>25,173,000</b>	<b>-</b>
Debt service:			
Principal retirement	6,626,400	6,513,867	112,533
Interest and fees	1,594,950	1,583,634	11,316
<b>Total debt service</b>	<b>8,221,350</b>	<b>8,097,501</b>	<b>123,849</b>
<b>Total expenditures</b>	<b>82,415,046</b>	<b>78,367,018</b>	<b>4,048,028</b>
<b>Revenues over (under) expenditures</b>	<b>(2,541,026)</b>	<b>4,088,009</b>	<b>6,629,035</b>
<b>Other financing sources (uses)</b>			
Transfers in (out):			
Sale of capital assets	25,500	1,064,519	1,039,019
From Occupancy Tax Fund	3,748,300	3,554,985	(193,315)
To School Project Fund	(1,721,000)	(1,721,000)	-
To Capital Improvement Fund	(650,500)	(650,500)	-
To Facilities / Debt Reserve Fund	(300,000)	(300,000)	-
To County Construction Projects Fund	(251,000)	(251,000)	-
To Community College Project Fund	(750,000)	(750,000)	-
Contingency reserves	(2,891,891)	-	2,891,891
Appropriated fund balance	5,331,617	-	(5,331,617)
<b>Total other financing sources (uses)</b>	<b>2,541,026</b>	<b>947,004</b>	<b>(1,594,022)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>5,035,013</b>	<b>\$ 5,035,013</b>
<b>Fund balance</b>			
Beginning		<u>53,810,941</u>	
Ending		<u>\$ 58,845,954</u>	





Summary of  
Nonmajor Funds

Carteret County, North Carolina

Combining Balance Sheet - Non-major Governmental Fund Types  
June 30, 2017

	Government Fund Types		
	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Assets</b>			
Assets:			
Cash and investments	\$ 1,356,342	\$ 5,701,573	\$ 7,057,915
Restricted cash and investments	1,800,034	2,245,539	4,045,573
Receivables, net	1,246,458	-	1,246,458
<b>Total assets</b>	<b>\$ 4,402,834</b>	<b>\$ 7,947,112</b>	<b>\$ 12,349,946</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 34,814	\$ 1,351,872	\$ 1,386,686
Due to other funds	11,652	-	11,652
<b>Total liabilities</b>	<b>46,466</b>	<b>1,351,872</b>	<b>1,398,338</b>
Deferred inflows of resources	631,678	-	631,678
Fund balances:			
Restricted:			
Public safety	1,003,977	-	1,003,977
Economic development	248,608	-	248,608
Rescue protection	710,162	-	710,162
Fire protection	1,493,758	-	1,493,758
School capital	-	1,438,366	1,438,366
Committed:			
Taylor Extended Care	-	231,541	231,541
School capital	-	566,343	566,343
Community College capital	-	765,000	765,000
Assigned:			
Subsequent year's expenditures	268,185	325,000	593,185
County capital	-	3,268,990	3,268,990
<b>Total fund balances</b>	<b>3,724,690</b>	<b>6,595,240</b>	<b>10,319,930</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 4,402,834</b>	<b>\$ 7,947,112</b>	<b>\$ 12,349,946</b>

Carteret County, North Carolina

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -  
 Non-major Governmental Fund Types  
 Year Ended June 30, 2017

	Government Fund Types		
	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Revenues</b>			
Ad valorem taxes	\$ 6,087,070	\$ -	\$ 6,087,070
Other taxes	1,796,299	-	1,796,299
Intergovernmental	936,244	587,561	1,523,805
Interest	17,451	40,740	58,191
Miscellaneous	2,059	-	2,059
<b>Total revenues</b>	<b>8,839,123</b>	<b>628,301</b>	<b>9,467,424</b>
<b>Expenditures</b>			
Current:			
Public safety	8,627,212	-	8,627,212
Economic and physical development	396,389	-	396,389
Capital outlay	-	8,736,799	8,736,799
<b>Total expenditures</b>	<b>9,023,601</b>	<b>8,736,799</b>	<b>17,760,400</b>
<b>Revenues over (under) expenditures</b>	<b>(184,478)</b>	<b>(8,108,498)</b>	<b>(8,292,976)</b>
<b>Other financing sources (uses)</b>			
Transfers in	-	3,672,500	3,672,500
Sale of capital assets	-	209,341	209,341
Transfers out	(355,000)	-	(355,000)
<b>Total other financing sources (uses)</b>	<b>(355,000)</b>	<b>3,881,841</b>	<b>3,526,841</b>
<b>Net change in fund balance</b>	<b>(539,478)</b>	<b>(4,226,657)</b>	<b>(4,766,135)</b>
<b>Fund balances</b>			
Beginning	4,264,168	10,821,897	15,086,065
Ending	<b>\$ 3,724,690</b>	<b>\$ 6,595,240</b>	<b>\$ 10,319,930</b>

Nonmajor Special  
Revenue Funds

## **Non-major Special Revenue Funds**

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Special Revenue Funds are used to account for the proceeds of specified revenue sources (other than Special Assessments) or to finance specified activities as required by law or administrative regulation.

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Carteret County, North Carolina

Non-major Special Revenue Funds

Combining Balance Sheet

June 30, 2017

	Rescue Squad Fund	Fire District Fund	Emergency Telephone System Fund
<b>Assets</b>			
Cash and investments	\$ -	\$ -	\$ 1,074,873
Restricted cash and investments	599,007	1,201,027	-
Receivables:			
Property taxes receivable, net	223,340	373,381	-
Accounts receivable	199,872	327,959	45,099
<b>Total assets</b>	<b>\$ 1,022,219</b>	<b>\$ 1,902,367</b>	<b>\$ 1,119,972</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 7,777	\$ 583	\$ 25,995
Due to other funds	-	-	-
<b>Total liabilities</b>	<b>7,777</b>	<b>583</b>	<b>25,995</b>
Deferred inflows of resources	<b>223,340</b>	<b>373,381</b>	<b>-</b>
Fund balances:			
Restricted:			
Public safety	-	-	1,003,977
Economic development	-	-	-
Rescue protection	710,162	-	-
Fire protection	-	1,493,758	-
Assigned:			
Subsequent year's expenditures	80,940	34,645	90,000
<b>Total fund balances</b>	<b>791,102</b>	<b>1,528,403</b>	<b>1,093,977</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,022,219</b>	<b>\$ 1,902,367</b>	<b>\$ 1,119,972</b>

Salter Path District Fund	Water Tax District Fund	CDBG 2003 Scatter Site Fund	Totals
\$ 62,254	\$ 219,215	\$ -	\$ 1,356,342
-	-	-	1,800,034
173	34,784	-	631,678
586	29,005	12,259	614,780
<b>\$ 63,013</b>	<b>\$ 283,004</b>	<b>\$ 12,259</b>	<b>\$ 4,402,834</b>

\$ -	\$ 12	\$ 447	\$ 34,814
-	-	11,652	11,652
-	12	12,099	46,466
173	34,784	-	631,678

-	-	-	1,003,977
62,840	185,608	160	248,608
-	-	-	710,162
-	-	-	1,493,758
-	62,600	-	268,185
62,840	248,208	160	3,724,690
<b>\$ 63,013</b>	<b>\$ 283,004</b>	<b>\$ 12,259</b>	<b>\$ 4,402,834</b>

Carteret County, North Carolina

Non-major Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2017

	Rescue Squad Fund	Fire District Fund	Emergency Telephone System Fund
<b>Revenues</b>			
Ad valorem taxes	\$ 2,214,160	\$ 3,579,581	\$ -
Other taxes	646,229	1,054,658	-
Intergovernmental	-	-	541,187
Interest	4,210	7,839	4,225
Miscellaneous	-	300	1,759
<b>Total revenues</b>	<b>2,864,599</b>	<b>4,642,378</b>	<b>547,171</b>
<b>Expenditures</b>			
Public safety	3,041,608	4,893,639	691,965
Economic and physical development	-	-	-
<b>Total expenditures</b>	<b>3,041,608</b>	<b>4,893,639</b>	<b>691,965</b>
<b>Revenues over (under) expenditures</b>	<b>(177,009)</b>	<b>(251,261)</b>	<b>(144,794)</b>
<b>Other financing sources (uses)</b>			
Transfers out	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Revenues and other financing sources over expenditures and other financing uses</b>	<b>(177,009)</b>	<b>(251,261)</b>	<b>(144,794)</b>
<b>Fund balances</b>			
Beginning	968,111	1,779,664	1,238,771
Ending	<b>\$ 791,102</b>	<b>\$ 1,528,403</b>	<b>\$ 1,093,977</b>

Salter Path District Fund	Water Tax District Fund	CDBG 2003 Scatter Site Fund	HMGP 2012 Fund	Totals
\$ 6,207	\$ 287,122	\$ -	\$ -	\$ 6,087,070
2,022	93,390	-	-	1,796,299
-	-	55,140	339,917	936,244
284	893	-	-	17,451
-	-	-	-	2,059
<b>8,513</b>	<b>381,405</b>	<b>55,140</b>	<b>339,917</b>	<b>8,839,123</b>
-	-	-	-	8,627,212
-	1,332	55,140	339,917	396,389
-	1,332	55,140	339,917	9,023,601
<b>8,513</b>	<b>380,073</b>	<b>-</b>	<b>-</b>	<b>(184,478)</b>
-	(355,000)	-	-	(355,000)
-	(355,000)	-	-	(355,000)
<b>8,513</b>	<b>25,073</b>	<b>-</b>	<b>-</b>	<b>(539,478)</b>
<b>54,327</b>	<b>223,135</b>	<b>160</b>	<b>-</b>	<b>4,264,168</b>
<b>\$ 62,840</b>	<b>\$ 248,208</b>	<b>\$ 160</b>	<b>\$ -</b>	<b>\$ 3,724,690</b>

Carteret County, North Carolina

Rescue Squad Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes	\$ 2,162,815	\$ 2,214,160	\$ 51,345
Other taxes:			
Local option sales tax	558,500	646,229	87,729
Interest	-	4,210	4,210
<b>Total revenues</b>	<b>2,721,315</b>	<b>2,864,599</b>	<b>143,284</b>
<b>Expenditures</b>			
Public safety:			
Beaufort	779,900	782,442	(2,542)
Broad and Gales Creek	296,315	297,680	(1,365)
Mill Creek	76,455	76,803	(348)
Mitchell Village	140,000	140,507	(507)
Otway	261,790	262,782	(992)
Sea Level	247,900	248,759	(859)
Western Carteret	394,535	396,231	(1,696)
District reserves	324,929	308,904	16,025
Local sales tax	527,500	527,500	-
Fees	7,500	-	7,500
<b>Total expenditures</b>	<b>3,056,824</b>	<b>3,041,608</b>	<b>15,216</b>
<b>Revenues over (under) expenditures</b>	<b>(335,509)</b>	<b>(177,009)</b>	<b>158,500</b>
<b>Other financing sources</b>			
Appropriated fund balance	335,509	-	(335,509)
<b>Revenues and other financing sources over expenditures</b>	<b>\$ -</b>	<b>(177,009)</b>	<b>\$ (177,009)</b>
<b>Fund balances</b>			
Beginning		968,111	
Ending		<u>\$ 791,102</u>	

Carteret County, North Carolina

Fire District Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes	\$ 3,456,570	\$ 3,579,581	\$ 123,011
Other taxes:			
Local option sales tax	968,500	1,054,658	86,158
Interest		7,839	7,839
Miscellaneous	-	300	300
<b>Total revenues</b>	<b>4,425,070</b>	<b>4,642,378</b>	<b>217,308</b>
<b>Expenditures</b>			
Public safety:			
Fire Districts:			
Atlantic	65,120	65,340	(220)
Beaufort	317,625	318,858	(1,233)
Broad and Gales Creek	296,385	297,750	(1,365)
Cedar Island	45,490	45,638	(148)
Davis	64,350	64,623	(273)
Harkers Island	351,230	352,023	(793)
Harlowe	77,200	77,511	(311)
Marshallberg	199,620	200,327	(707)
Mill Creek	31,035	31,192	(157)
Mitchell Village, Crab Point	360,000	361,284	(1,284)
Newport	312,535	314,883	(2,348)
North River	57,940	58,125	(185)
Otway	192,670	193,485	(815)
Salter Path	58,550	58,664	(114)
Sea Level	49,275	49,379	(104)
South River	99,735	99,944	(209)
Stacy	22,320	22,388	(68)
Stella	84,755	49,936	34,819
Western Carteret	441,915	443,678	(1,763)
Wildwood	582,000	584,090	(2,090)
Motor Vehicle Fees	13,500	-	13,500
District reserves	459,915	454,438	5,477
Local sales tax	760,500	750,083	10,417
<b>Total expenditures</b>	<b>4,943,665</b>	<b>4,893,639</b>	<b>50,026</b>
<b>Revenues over (under) expenditures</b>	<b>(518,595)</b>	<b>(251,261)</b>	<b>267,334</b>
<b>Other financing sources</b>			
Appropriated fund balance	518,595	-	(518,595)
<b>Revenues and other financing sources over expenditures</b>	<b>\$ -</b>	<b>(251,261)</b>	<b>\$ (251,261)</b>
<b>Fund balances</b>			
Beginning		1,779,664	
Ending		<u>\$ 1,528,403</u>	

Carteret County, North Carolina

Emergency Telephone System Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$ 556,000	\$ 541,187	\$ (14,813)
Interest	-	4,225	(4,225)
Miscellaneous	-	1,759	1,759
<b>Total revenues</b>	<b>556,000</b>	<b>547,171</b>	<b>(8,829)</b>
<b>Expenditures</b>			
Public safety:			
Operating expenses	301,870	235,676	66,194
Contracted services	530,000	428,265	101,735
Capital outlay	107,000	28,024	78,976
<b>Total expenditures</b>	<b>938,870</b>	<b>691,965</b>	<b>246,905</b>
<b>Revenues over (under) expenditures</b>	<b>(382,870)</b>	<b>(144,794)</b>	<b>238,076</b>
<b>Other financing sources (uses)</b>			
Transfer from General Fund	-	-	-
Contingency	(11,130)	-	11,130
Appropriated fund balance	394,000	-	(394,000)
<b>Total other financing sources (uses)</b>	<b>382,870</b>	<b>-</b>	<b>(382,870)</b>
<b>Revenues and other financing sources over expenditures</b>	<b>\$ -</b>	<b>(144,794)</b>	<b>\$ (144,794)</b>
<b>Fund balances</b>			
Beginning		1,238,771	
Ending		<u>\$ 1,093,977</u>	

Carteret County, North Carolina

Salter Path District Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes	\$ 6,500	\$ 6,207	\$ (293)
Other taxes:			
Local option sales tax	1,900	2,022	122
Interest	100	284	184
<b>Total revenues</b>	<u>8,500</u>	<u>8,513</u>	<u>13</u>
<b>Expenditures</b>			
Economic and physical development:			
Beach nourishment	8,500	-	8,500
<b>Total expenditures</b>	<u>8,500</u>	<u>-</u>	<u>8,500</u>
<b>Revenues over expenditures</b>	<u>\$ -</u>	<u>8,513</u>	<u>\$ 8,513</u>
<b>Fund balances</b>			
Beginning		<u>54,327</u>	
Ending		<u>\$ 62,840</u>	

Carteret County, North Carolina

Water Tax District Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes	\$ 269,000	\$ 287,122	\$ 18,122
Other taxes:			
Local option sales tax	87,000	93,390	6,390
Interest	500	893	393
<b>Total revenues</b>	<u>356,500</u>	<u>381,405</u>	<u>24,905</u>
<b>Expenditures</b>			
Economic and Physical Development:			
Operating expenses	1,500	1,332	168
<b>Total expenditures</b>	<u>1,500</u>	<u>1,332</u>	<u>168</u>
<b>Revenues over expenditures</b>	<u>355,000</u>	<u>380,073</u>	<u>25,073</u>
<b>Other financing uses</b>			
Transfers out	(355,000)	(355,000)	-
<b>Total other financing uses</b>	<u>(355,000)</u>	<u>(355,000)</u>	<u>-</u>
<b>Revenues over other financing uses</b>	<u>\$ -</u>	<u>25,073</u>	<u>\$ 25,073</u>
<b>Fund balances</b>			
Beginning		<u>223,135</u>	
Ending		<u>\$ 248,208</u>	

Carteret County, North Carolina

CDBG 2003 Scatter Site Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
From Inception and the Year Ended June 30, 2017

	Total Project Estimate	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues</b>				
Intergovernmental:				
Community Development Block Grant	\$ 225,000	\$ 165,101	\$ 55,140	\$ 220,241
<b>Total revenues</b>	<b>225,000</b>	<b>165,101</b>	<b>55,140</b>	<b>220,241</b>
<b>Expenditures</b>				
Economic and Physical Development:				
C-1 Rehabilitation	182,700	129,694	50,784	180,478
C-1 Administration	20,300	21,322	856	22,178
L-1 Rehabilitation	20,000	13,925	1,500	15,425
L-1 Administration	2,000	-	2,000	2,000
<b>Total expenditures</b>	<b>225,000</b>	<b>164,941</b>	<b>55,140</b>	<b>220,081</b>
<b>Revenues over expenditures</b>	<b>\$ -</b>	<b>\$ 160</b>	<b>-</b>	<b>\$ 160</b>
<b>Fund balances</b>				
Beginning			160	
Ending			<u>160</u>	

Carteret County, North Carolina

2012 HMGP Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual  
From Inception and the Year Ended June 30, 2017

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
<b>Revenue</b>				
Intergovernmental:				
HMGP Funds	\$ 875,000	\$ -	\$ 339,917	\$ 339,917
<b>Expenditures</b>				
Economic and Physical Development:				
Elevation costs	705,400	-	265,000	265,000
Soft costs	169,600	-	74,917	74,917
<b>Total expenditures</b>	<b>875,000</b>	<b>-</b>	<b>339,917</b>	<b>339,917</b>
<b>Revenue over         expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
<b>Fund balances</b>				
Beginning			-	
Ending			-	

Carteret County, North Carolina

2014 Flood Mitigation Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
From Inception and the Year Ended June 30, 2017

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
<b>Revenues</b>				
Intergovernmental:				
2014 FLD Mitigation FMA-PF04	\$ 870,050	\$ -	\$ -	\$ -
<b>Total revenues</b>	<b>870,050</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenditures</b>				
Economic and physical development:				
2014 program				
Elevation cost	726,800	-	-	-
Soft costs	143,250	-	-	-
	<b>870,050</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total expenditures</b>	<b>870,050</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Revenues over (under) expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
<b>Fund balances (deficit)</b>				
Beginning			-	
Ending			<b>\$ -</b>	



Nonmajor Capital  
Projects Funds

## **Non-major Capital Projects Funds**

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Capital Projects Funds account for all resources used for the acquisition and/or construction of major capital facilities.

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Carteret County, North Carolina

Non-major Capital Projects Fund

Combining Balance Sheet  
June 30, 2017

	County Capital Reserve Fund	County Capital Improvements Fund	County Facilities Debt Reserve Fund
<b>Assets</b>			
Cash and investments	\$ 950,452	\$ 758,682	\$ 603,399
Restricted cash and investments	-	-	-
<b>Total assets</b>	<b>\$ 950,452</b>	<b>\$ 758,682</b>	<b>\$ 603,399</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ 2,709	\$ -
<b>Total liabilities</b>	<b>-</b>	<b>2,709</b>	<b>-</b>
Fund balances :			
Restricted:			
School capital	-	-	-
Committed:			
Taylor Extended Care	-	231,541	-
School capital	-	-	-
Community College capital	-	-	-
Assigned:			
Subsequent year's expenditures	-	325,000	-
County capital	950,452	199,432	603,399
<b>Total fund balances</b>	<b>950,452</b>	<b>755,973</b>	<b>603,399</b>
<b>Total liabilities and fund balances</b>	<b>\$ 950,452</b>	<b>\$ 758,682</b>	<b>\$ 603,399</b>

School Special Projects Fund	County Construction Projects Fund	2015 School Bond Project Fund	Carteret Community College Fund	Totals
\$ 751,844	\$ 1,870,152	\$ 2,044	\$ 765,000	\$ 5,701,573
-	-	2,245,539	-	2,245,539
<b>\$ 751,844</b>	<b>\$ 1,870,152</b>	<b>\$ 2,247,583</b>	<b>\$ 765,000</b>	<b>\$ 7,947,112</b>
\$ 185,501	\$ 354,445	\$ 809,217	\$ -	\$ 1,351,872
185,501	354,445	809,217	-	1,351,872
-	-	1,438,366		1,438,366
-	-	-	-	231,541
566,343	-	-	-	566,343
-	-	-	765,000	765,000
-	-	-	-	325,000
-	1,515,707	-	-	3,268,990
566,343	1,515,707	1,438,366	765,000	6,595,240
<b>\$ 751,844</b>	<b>\$ 1,870,152</b>	<b>\$ 2,247,583</b>	<b>\$ 765,000</b>	<b>\$ 7,947,112</b>

Carteret County, North Carolina

Non-major Capital Projects Fund

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2017

	County Capital Reserve Fund	County Capital Improvements Fund	County Facilities / Debt Reserve Fund
<b>Revenues</b>			
Intergovernmental	\$ -	\$ 585,517	\$ -
Interest	3,877	4,544	2,495
<b>Total revenues</b>	<b>3,877</b>	<b>590,061</b>	<b>2,495</b>
<b>Expenditures</b>			
Capital outlay	-	1,406,762	-
<b>Revenues over (under) expenditures</b>	<b>3,877</b>	<b>(816,701)</b>	<b>2,495</b>
<b>Other financing sources</b>			
Transfers in	-	650,500	300,000
Sale of capital assets	209,341	-	-
<b>Total other financing sources</b>	<b>209,341</b>	<b>650,500</b>	<b>300,000</b>
<b>Revenues and other financing sources over (under) expenditures</b>	<b>213,218</b>	<b>(166,201)</b>	<b>302,495</b>
<b>Fund balances</b>			
Beginning	737,234	922,174	300,904
Ending	<b>\$ 950,452</b>	<b>\$ 755,973</b>	<b>\$ 603,399</b>

School Special Projects Fund	County Construction Projects Fund	2015 School Bond Projects Fund	Carteret Community College Fund	Totals
\$ -	\$ -	\$ 2,044	\$ -	\$ 587,561
3,970	10,058	15,796	-	40,740
3,970	10,058	17,840	-	628,301
2,315,697	1,187,744	3,091,596	735,000	8,736,799
(2,311,727)	(1,177,686)	(3,073,756)	(735,000)	(8,108,498)
1,721,000	251,000	-	750,000	3,672,500
-	-	-	-	209,341
1,721,000	251,000	-	750,000	3,881,841
(590,727)	(926,686)	(3,073,756)	15,000	(4,226,657)
1,157,070	2,442,393	4,512,122	750,000	10,821,897
\$ 566,343	\$ 1,515,707	\$ 1,438,366	\$ 765,000	\$ 6,595,240

Carteret County, North Carolina

County Capital Reserve Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Year Ended June 30, 2017

	Budget	Actual	Variance Positive
<b>Revenues</b>			
Interest	\$ -	\$ 3,877	\$ 3,877
<b>Revenues over expenditures</b>	<u>-</u>	<u>3,877</u>	<u>3,877</u>
<b>Other financing sources</b>			
Sale of capital assets	-	209,341	\$ 209,341
<b>Revenues and other financing sources (under) expenditures</b>	<u>\$ -</u>	<u>213,218</u>	<u>\$ 213,218</u>
<b>Fund balances</b>			
Beginning		737,234	
Ending		<u>\$ 950,452</u>	

Carteret County, North Carolina

County Capital Improvements Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$ 751,180	\$ 585,517	\$ (165,663)
Interest	4,490	4,544	54
Miscellaneous	130,000	-	(130,000)
<b>Total revenues</b>	<b>885,670</b>	<b>590,061</b>	<b>(295,609)</b>
<b>Expenditures</b>			
Capital outlay:			
Aerial pictometry	83,490	86,701	(3,211)
Elections equipment	300,000	215,295	84,705
Waterway dredging	920,000	699,675	220,325
Taylor Extended Care improvements	50,000	28,621	21,379
Swinson Park improvements	181,680	175,470	6,210
Atlantic Beach Park contribution	200,000	200,000	-
Western Library addition	280,000	-	280,000
Capital improvements	125,000	1,000	124,000
<b>Total expenditures</b>	<b>2,140,170</b>	<b>1,406,762</b>	<b>733,408</b>
<b>Revenues over (under) expenditures</b>	<b>(1,254,500)</b>	<b>(816,701)</b>	<b>437,799</b>
<b>Other financing sources</b>			
Transfer from General Fund	650,500	650,500	-
Fund Balance Appropriated	604,000	-	(604,000)
<b>Total other financing sources</b>	<b>1,254,500</b>	<b>650,500</b>	<b>(604,000)</b>
<b>Revenues and other financing sources (under) expenditures</b>	<b>\$ -</b>	<b>(166,201)</b>	<b>\$ (166,201)</b>
<b>Fund balances</b>			
Beginning		922,174	
Ending		<u>\$ 755,973</u>	

Carteret County, North Carolina

County Facilities / Debt Reserve Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Interest	\$ -	\$ 2,495	\$ 2,495
<b>Total revenues</b>	<b>-</b>	<b>2,495</b>	<b>2,495</b>
<b>Expenditures</b>			
Capital outlay:			
Future Projects / Capital Debt	300,000	-	300,000
<b>Total expenditures</b>	<b>300,000</b>	<b>-</b>	<b>300,000</b>
<b>Revenues over (under) expenditures</b>	<b>(300,000)</b>	<b>2,495</b>	<b>302,495</b>
<b>Other financing sources</b>			
Transfer from General Fund	300,000	300,000	-
<b>Total other financing sources</b>	<b>300,000</b>	<b>300,000</b>	<b>-</b>
<b>Revenues and other financing sources over expenditures</b>	<b>\$ -</b>	<b>302,495</b>	<b>\$ 302,495</b>
<b>Fund balances</b>			
Beginning		300,904	
Ending		<u>\$ 603,399</u>	

Carteret County, North Carolina

School Special Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Interest	\$ -	\$ 3,970	\$ 3,970
<b>Total revenues</b>	<b>-</b>	<b>3,970</b>	<b>3,970</b>
<b>Expenditures</b>			
Capital outlay, Board of Education	2,806,780	2,315,697	491,083
<b>Revenues under expenditures</b>	<b>(2,806,780)</b>	<b>(2,311,727)</b>	<b>495,053</b>
<b>Other financing sources</b>			
Transfer from other funds	1,721,000	1,721,000	-
Fund balance appropriated	1,085,780	-	(1,085,780)
<b>Total other financing sources</b>	<b>2,806,780</b>	<b>1,721,000</b>	<b>(1,085,780)</b>
<b>Revenues and other financing sources (under) expenditures</b>	<b>\$ -</b>	<b>(590,727)</b>	<b>\$ (590,727)</b>
<b>Fund balances</b>			
Beginning		1,157,070	
Ending		<u>\$ 566,343</u>	

Carteret County, North Carolina

County Construction Projects Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual  
From Inception and for the Year Ended June 30, 2017

	Total Project Estimate	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues</b>				
Interest	\$ -	\$ -	\$ 10,058	\$ 10,058
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>10,058</b>	<b>10,058</b>
<b>Expenditures</b>				
Capital outlay:				
General services construction	2,481,000	-	1,145,465	1,145,465
Professional services / design	195,000	157,607	42,279	199,886
Furnishings	100,000	-	-	-
<b>Total Expenditures</b>	<b>2,776,000</b>	<b>157,607</b>	<b>1,187,744</b>	<b>1,345,351</b>
<b>Revenue over (under) expenditures</b>	<b>(2,776,000)</b>	<b>(157,607)</b>	<b>(1,177,686)</b>	<b>(1,335,293)</b>
<b>Other financing sources (uses)</b>				
Transfer in from other funds	2,851,000	2,600,000	251,000	2,851,000
Contingency	(75,000)	-	-	-
<b>Total other financing sources</b>	<b>2,776,000</b>	<b>2,600,000</b>	<b>251,000</b>	<b>2,851,000</b>
<b>Revenue and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ 2,442,393</b>	<b>(926,686)</b>	<b>\$ 1,515,707</b>
<b>Fund balance</b>				
Beginning			2,442,393	
Ending			<u>1,515,707</u>	

Carteret County, North Carolina

2015 School Bond Project Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
From Inception and for the Year Ended June 30, 2017

	Amended Project Estimate	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues</b>				
Intergovernmental	\$ -	\$ -	2,044	\$ 2,044
Interest	-	9,329	15,796	25,125
<b>Total revenues</b>	<b>-</b>	<b>9,329</b>	<b>17,840</b>	<b>27,169</b>
<b>Expenditures</b>				
Current:				
Building improvements	4,868,860	387,897	3,079,928	3,467,825
Technology improvements	45,000	44,286	-	44,286
Construction management	50,000	46,665	11,668	58,333
Issuance cost	100,000	82,219	-	82,219
<b>Total expenditures</b>	<b>5,063,860</b>	<b>561,067</b>	<b>3,091,596</b>	<b>3,652,663</b>
<b>Revenues under expenditures</b>	<b>(5,063,860)</b>	<b>(551,738)</b>	<b>(3,073,756)</b>	<b>(3,625,494)</b>
<b>Other financing sources (uses)</b>				
Long-term debt issued	4,600,000	4,600,000	-	4,600,000
Bond premium	463,860	463,860	-	463,860
<b>Total other financing sources (uses)</b>	<b>5,063,860</b>	<b>5,063,860</b>	<b>-</b>	<b>5,063,860</b>
<b>Revenues over (under) expenditures and other sources</b>	<b>\$ -</b>	<b>\$ 4,512,122</b>	<b>(3,073,756)</b>	<b>\$ 1,438,366</b>
<b>Fund balances:</b>				
Beginning			4,512,122	
Ending			<u>4,512,122</u>	<u>\$ 1,438,366</u>

Carteret County, North Carolina

Carteret Community College Project Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
From Inception and for the Year Ended June 30, 2017

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
<b>Expenditures</b>				
Capital outlay:				
Building Improvements	\$ 1,410,000	\$ -	\$ -	\$ -
Land	750,000	-	735,000	735,000
<b>Total expenditures</b>	<b>2,160,000</b>	-	<b>735,000</b>	<b>735,000</b>
<b>Revenues (under) expenditures</b>	<b>(2,160,000)</b>	-	<b>(735,000)</b>	<b>(735,000)</b>
<b>Other financing sources</b>				
Transfer from other funds	2,160,000	750,000	750,000	1,500,000
<b>Revenues and other financing sources over expenditures</b>	<b>\$ -</b>	<b>\$ 750,000</b>	<b>15,000</b>	<b>\$ 765,000</b>
<b>Fund balances</b>				
Beginning			750,000	
Ending			<b>\$ 765,000</b>	

# Enterprise Funds

Carteret County, North Carolina

Water Operating Fund

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)  
Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
<b>Revenues, Operating</b>			
Charges for services	\$ 565,500	\$ 584,344	\$ 18,844
<b>Total operating revenues</b>	<b>565,500</b>	<b>584,344</b>	<b>18,844</b>
<b>Expenditures, Operating</b>			
Cost of sales and services:			
Salaries and benefits	304,090	285,550	18,540
Operating expense	384,730	382,665	2,065
<b>Total operating expenditures</b>	<b>688,820</b>	<b>668,215</b>	<b>20,605</b>
<b>Operating revenues over (under) operating expenditures</b>	<b>(123,320)</b>	<b>(83,871)</b>	<b>39,449</b>
<b>Nonoperating Revenues (Expenditures)</b>			
Interest earnings	2,000	4,881	2,881
Miscellaneous	-	548	548
Interest payments	(72,540)	(71,245)	1,295
Principal payments	(188,080)	(188,032)	48
<b>Total nonoperating revenues (expenditures)</b>	<b>(258,620)</b>	<b>(253,848)</b>	<b>4,772</b>
<b>Revenues under expenditures</b>	<b>(381,940)</b>	<b>(337,719)</b>	<b>44,221</b>
<b>Other Financing Sources (Uses)</b>			
Transfer from other funds	355,000	355,000	-
Contingency	(17,540)	-	17,540
Appropriated fund balance	44,480	-	(44,480)
<b>Total other financing sources</b>	<b>381,940</b>	<b>355,000</b>	<b>(26,940)</b>
<b>Revenues and other financing sources over expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ 17,281</b>	<b>\$ 17,281</b>
Reconciliation of modified accrual basis to full accrual basis:			
Revenues and other financing uses over expenditures		\$ 17,281	
Decrease in debt interest accrued		708	
Increase in accrued vacation pay		(7,943)	
Depreciation		(366,607)	
Increase in deferred outflows of resources pensions		46,257	
Increase in net pension liability		(55,219)	
Decrease in deferred inflows of resources pensions		4,209	
Principal on debt		188,032	
<b>Change in net position</b>		<b>\$ (173,282)</b>	



# Agency Funds



Carteret County, North Carolina

Agency Funds

Combining Statement of Changes in Fiduciary Net Position  
June 30, 2017

	Sheriff's Department Fund	Social Services Trust Fund	Deed of Trust Agency	Cooperative Extension Agency	Totals
<b>Assets</b>					
Cash	\$ 21,076	\$ 44,326	\$ 8,004	\$ 22,413	\$ 95,819
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 21,076	\$ 44,326	\$ 8,004	\$ 22,413	\$ 95,819

**Carteret County, North Carolina**

**Agency Funds**

**Combining Statement of Changes in Assets and Liabilities  
Year Ended June 30, 2017**

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<b>Sheriff's Department Fund:</b>				
Assets, cash	\$ 23,190	\$ 184,239	\$ 186,353	\$ 21,076
Liabilities	\$ 23,190	\$ 184,239	\$ 186,353	\$ 21,076
<b>Social Services Trust Fund:</b>				
Assets, cash	\$ 38,947	\$ 225,387	\$ 220,008	\$ 44,326
Liabilities	\$ 38,947	\$ 225,387	\$ 220,008	\$ 44,326
<b>Deed of Trust Agency:</b>				
Assets, cash	\$ 7,440	\$ 77,419	\$ 76,855	\$ 8,004
Liabilities	\$ 7,440	\$ 77,419	\$ 76,855	\$ 8,004
<b>Cooperative Extension Agency:</b>				
Assets, cash	\$ 28,360	\$ 15,628	\$ 21,575	\$ 22,413
Liabilities	\$ 28,360	\$ 15,628	\$ 21,575	\$ 22,413
<b>Totals - All Agency Funds:</b>				
Assets, cash	\$ 97,937	\$ 502,673	\$ 504,791	\$ 95,819
Liabilities:				
Accounts payable and accrued liabilities	\$ 97,937	\$ 502,673	\$ 504,791	\$ 95,819



Capital Assets Used  
in the Operation of  
Governmental Funds

**Carteret County, North Carolina**

**Capital Assets Used in the Operation of Governmental Funds**

**Comparative Schedules by Source**

**June 30, 2017**

	<b>2017</b>	<b>2016</b>
Governmental funds capital assets:		
Land, airport	\$ 169,549	\$ 169,549
Land, other	4,920,704	6,044,250
Construction in progress	1,345,351	157,607
Buildings	25,721,527	27,603,233
Vehicles	4,955,965	5,527,166
Equipment	5,787,564	7,883,944
Airport facilities	1,524,747	1,524,747
Other improvements	10,766,748	11,641,872
Leasehold improvements	2,590,428	2,590,428
<b>Total governmental funds capital assets</b>	<b>\$ 57,782,583</b>	<b>\$ 63,142,796</b>
Investment in governmental funds capital assets		
General Fund	\$ 50,148,624	\$ 56,022,224
Capital Project Funds	7,633,959	7,120,572
<b>Total investment in governmental funds capital assets</b>	<b>\$ 57,782,583</b>	<b>\$ 63,142,796</b>

Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity

June 30, 2017

<b>Function and Activity</b>	<b>Land</b>	<b>Buildings</b>	<b>Vehicles</b>	<b>Equipment</b>
<b>General Government:</b>				
County Administration	\$ -	\$ -	\$ -	\$ 25,802
Tax Administration	142,568	114,001	91,735	251,283
Register of Deeds	-	17,665	-	265,779
Elections	-	-	-	687,837
Information Technology	-	-	-	1,448,145
Public Buildings	1,479,349	5,861,108	186,968	6,394
Other	-	-	-	12,761
<b>Total General Government</b>	<b>1,621,917</b>	<b>5,992,774</b>	<b>278,703</b>	<b>2,698,001</b>
<b>Public Safety:</b>				
Law Enforcement	417,991	8,614,309	1,633,190	116,835
Emergency Services	43,000	16,850	499,772	1,298,643
<b>Total Public Safety</b>	<b>460,991</b>	<b>8,631,159</b>	<b>2,132,962</b>	<b>1,415,478</b>
Transportation	230,589	-	806,006	-
Environmental Protection	153,877	24,400	374,638	384,234
Economic and Physical Development	524,987	-	140,251	108,619
Human Services	303,778	7,240,066	995,464	538,539
Culture and Recreation	1,794,114	3,833,128	227,941	642,693
<b>Total governmental funds capital assets</b>	<b>\$ 5,090,253</b>	<b>\$ 25,721,527</b>	<b>\$ 4,955,965</b>	<b>\$ 5,787,564</b>

Airport Facilities	Other Improvements	Leasehold Improvements	Construction in Progress	Total
\$ -	\$ -	\$ -	\$ -	\$ 25,802
-	-	-	-	599,587
-	16,000	-	-	299,444
-	-	-	-	687,837
-	116,944	-	-	1,565,089
-	2,089,997	-	-	9,623,816
-	-	-	-	12,761
-	2,222,941	-	-	12,814,336
-	249,590	-	-	11,031,915
-	-	1,108,727	-	2,966,992
-	249,590	1,108,727	-	13,998,907
1,524,747	41,142	-	-	2,602,484
-	97,560	-	1,345,351	2,380,060
-	-	-	-	773,857
-	-	-	-	9,077,847
-	8,155,515	1,481,701	-	16,135,092
\$ 1,524,747	\$ 10,766,748	\$ 2,590,428	\$ 1,345,351	\$ 57,782,583

Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes by Function and Activity  
Year Ended June 30, 2017

Function and Activity	Governmental Funds				Governmental Funds
	Capital Assets June 30, 2016	Additions	Deductions	Transfers	Capital Assets June 30, 2017
General Government:					
County administration	\$ 25,802	\$ -	\$ -	\$ -	\$ 25,802
Tax administration	744,742	-	145,155	-	599,587
Register of Deeds	299,444	-	-	-	299,444
Elections	505,242	212,375	29,780	-	687,837
Information technology	1,436,323	166,057	37,291	-	1,565,089
Public buildings	12,428,007	47,046	2,851,237	-	9,623,816
Other	27,419	-	14,658	-	12,761
<b>Total General Government</b>	<b>15,466,979</b>	<b>425,478</b>	<b>3,078,121</b>	<b>-</b>	<b>12,814,336</b>
Public Safety:					
Law enforcement	11,821,345	276,691	1,066,121	-	11,031,915
Emergency services	5,099,867	82,408	2,215,283	-	2,966,992
<b>Total Public Safety</b>	<b>16,921,212</b>	<b>359,099</b>	<b>3,281,404</b>	<b>-</b>	<b>13,998,907</b>
Transportation	2,925,396	27,465	350,377	-	2,602,484
Environmental protection	1,285,918	1,195,889	101,747	-	2,380,060
Economic and physical development	386,606	468,973	81,722	-	773,857
Human services	9,176,679	35,992	134,824	-	9,077,847
Culture and recreation	16,980,006	182,655	1,027,569	-	16,135,092
<b>Total governmental funds capital assets</b>	<b>\$ 63,142,796</b>	<b>\$ 2,695,551</b>	<b>\$ 8,055,764</b>	<b>\$ -</b>	<b>\$ 57,782,583</b>

## Other Financial Data

## **Other Financial Information**

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Other financial information includes additional detailed analysis of particular aspects of the County's financial position or results of operations.

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**Carteret County, North Carolina**

**Schedule of Ad Valorem Taxes Receivable  
June 30, 2017**

Fiscal Year	Uncollected Balance June 30, 2016	Additions	Collections	Adjustments	Uncollected Balance June 30, 2017
2016-2017	\$ -	\$ 45,841,885	\$ 44,595,689	\$ (208,645)	\$ 1,037,551
2015-2016	853,868	-	382,234	5,610	477,244
2014-2015	528,625	-	172,120	9,338	365,843
2013-2014	374,327	-	110,282	(92)	263,953
2012-2013	309,138	-	75,959	(106)	233,073
2011-2012	233,163	-	58,963	535	174,735
2010-2011	142,986	-	39,053	-	103,933
2009-2010	115,043	-	28,293	(60)	86,690
2008-2009	86,316	-	20,313	(116)	65,887
2007-2008	47,578	-	13,298	(28,210)	6,070
2006-2007	8,435	-	2,782	3,087	8,740
	<u>\$ 2,699,479</u>	<u>\$ 45,841,885</u>	<u>\$ 45,498,986</u>	<u>\$ (218,659)</u>	<u>2,823,719</u>
Less write-off 2006-2007 tax year					<u>(8,740)</u>
					<u>2,814,979</u>
Less allowance for uncollectible ad valorem taxes receivable					<u>166,064</u>
<b>Net property taxes receivable - General Fund</b>					<u><b>\$ 2,648,915</b></u>
Reconcilement with revenue: Ad valorem taxes - General Fund					<u><b>\$ 45,498,986</b></u>

Carteret County, North Carolina

Analysis of Current Year's Tax Levy  
Year Ended June 30, 2017

	<u>County Wide</u>		<u>Total Levy</u>		
	<u>Property</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property</u>	<u>Registered</u>
	<u>Valuation</u>			<u>Excluding</u>	<u>Motor Vehicles</u>
				<u>Registered</u>	<u>Motor Vehicles</u>
				<u>Motor Vehicles</u>	<u>Motor Vehicles</u>
Original levy:					
Property taxed at current year's rate	\$ 14,787,704,839	0.31	\$ 45,841,885	\$ 43,604,117	\$ 2,237,768
<b>Total</b>	<b>14,787,704,839</b>		<b>45,841,885</b>	<b>43,604,117</b>	<b>2,237,768</b>
Discoveries:					
Current year taxes	35,351,935		109,591	109,591	-
Corrections	(2,825,806)		(8,760)	(8,760)	-
<b>Total</b>	<b>32,526,129</b>		<b>100,831</b>	<b>100,831</b>	<b>-</b>
Abatements	(99,830,968)		(309,476)	(309,476)	-
<b>Total property valuation</b>	<b>\$ 14,720,400,000</b>				
Net levy-General Fund			45,633,240	43,395,472	2,237,768
Uncollected taxes at June 30, 2017 - General Fund			1,037,551	1,037,551	-
Current year's taxes collected - General Fund			\$ 44,595,689	\$ 42,357,921	\$ 2,237,768
Current levy collection percentage - General Fund			97.73%	97.61%	100.00%



# Statistical Section

## Statistical Section (Unaudited)

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This part of the Carteret County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<b>Contents</b>	<b>Page</b>
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<b>Financial Trends</b>	<b>164</b>
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These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

<b>Revenue Capacity</b>	<b>178</b>
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These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

<b>Debt Capacity</b>	<b>190</b>
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These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

<b>Demographic and Economic Information</b>	<b>197</b>
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

<b>Operating Information</b>	<b>202</b>
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These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

**Sources:** Unless otherwise noted, the information included in these schedules and charts is derived for the comprehensive annual financial reports ("CAFR") and is provided for additional analysis purposes only and has not been verified by audit as presented.

**Carteret County, North Carolina**

**Net Position by Component,  
Last Ten Fiscal Years  
(accrual basis of accounting)**

	Fiscal Year			
	2008	2009	2010	2011
Governmental activities				
Net investment in capital assets	\$ 21,792,965	\$ 22,484,382	\$ 24,050,669	\$ 26,022,027
Restricted	10,233,675	13,043,008	15,431,921	24,524,242
Unrestricted	(24,226,402)	(28,471,360)	(32,695,396)	(41,158,484)
<b>Total governmental activities     net position</b>	<b>\$ 7,800,238</b>	<b>\$ 7,056,030</b>	<b>\$ 6,787,194</b>	<b>\$ 9,387,785</b>
Business-type activities				
Net investment in capital assets	\$ 3,557,690	\$ 3,634,160	\$ 4,098,772	\$ 4,079,804
Unrestricted	548,951	553,518	190,973	516,359
<b>Total business-type activities</b>	<b>\$ 4,106,641</b>	<b>\$ 4,187,678</b>	<b>\$ 4,289,745</b>	<b>\$ 4,596,163</b>
Primary government				
Net investment in capital assets	\$ 25,350,655	\$ 26,118,542	\$ 28,149,441	\$ 30,101,831
Restricted	10,233,675	13,043,008	15,431,921	24,524,242
Unrestricted	(23,677,451)	(27,917,842)	(32,504,423)	(40,642,125)
<b>Total primary government     net position</b>	<b>\$ 11,906,879</b>	<b>\$ 11,243,708</b>	<b>\$ 11,076,939</b>	<b>\$ 13,983,948</b>

Schedule 1

2012	2013	2014	2015	2016	2017
\$ 26,469,612	\$ 25,250,857	\$ 23,480,626	\$ 22,736,938	\$ 24,089,921	\$ <b>22,009,903</b>
24,685,705	17,586,592	20,852,514	23,967,802	31,480,559	<b>31,325,245</b>
(33,049,640)	(23,716,266)	(14,716,290)	(8,948,033)	(9,879,406)	<b>(3,998,944)</b>
<b>\$ 18,105,677</b>	<b>\$ 19,121,183</b>	<b>\$ 29,616,850</b>	<b>\$ 37,756,707</b>	<b>\$ 45,691,074</b>	<b>\$ 49,336,204</b>
\$ 5,416,107	\$ 5,558,997	\$ 5,353,434	\$ 5,133,724	\$ 4,900,315	\$ <b>4,721,740</b>
(851,225)	656,050	700,030	816,057	908,143	<b>913,436</b>
<b>\$ 4,564,882</b>	<b>\$ 6,215,047</b>	<b>\$ 6,053,464</b>	<b>\$ 5,949,781</b>	<b>\$ 5,808,458</b>	<b>\$ 5,635,176</b>
\$ 31,885,719	\$ 30,809,854	\$ 28,834,060	\$ 27,870,662	\$ 28,990,236	\$ <b>26,731,643</b>
24,685,705	17,586,592	20,852,514	23,967,802	31,480,559	<b>31,325,245</b>
(33,900,865)	(23,060,216)	(14,016,260)	(8,131,976)	(8,971,263)	<b>(3,085,508)</b>
<b>\$ 22,670,559</b>	<b>\$ 25,336,230</b>	<b>\$ 35,670,314</b>	<b>\$ 43,706,488</b>	<b>\$ 51,499,532</b>	<b>\$ 54,971,380</b>

**Carteret County, North Carolina**

**Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)**

	Fiscal Year			
	2008	2009	2010	2011
<b>Expenses</b>				
Governmental activities:				
General government	\$ 6,254,064	\$ 6,558,268	\$ 6,369,989	\$ 6,290,765
Public safety	16,381,281	16,599,129	16,919,404	19,094,741
Transportation	892,718	858,784	907,113	1,107,365
Economic and physical development	4,848,724	5,207,919	4,469,445	4,925,627
Environmental protection	2,914,590	3,105,363	3,130,735	3,274,042
Human Services	16,656,957	16,302,247	15,071,578	15,713,990
Cultural and recreation	3,355,687	3,182,526	4,198,808	2,108,234
Education	47,189,262	35,465,104	31,982,375	28,623,466
Interest on long term debt	3,690,063	3,493,485	3,197,911	3,087,406
<b>Total governmental activities</b>	<b>102,183,346</b>	<b>90,772,825</b>	<b>86,247,358</b>	<b>84,225,636</b>
Business-type activities:				
Water	813,171	934,919	798,432	849,324
<b>Total primary government expenses</b>	<b>\$ 102,996,517</b>	<b>\$ 91,707,744</b>	<b>\$ 87,045,790</b>	<b>\$ 85,074,960</b>

(Continued)

	2012	2013	2014	2015	2016	2017
\$	5,926,629	\$ 5,946,901	\$ 6,442,611	\$ 6,949,982	\$ 7,278,369	\$ 9,236,447
	17,566,816	18,335,600	18,792,650	19,162,990	18,561,573	20,595,208
	1,288,106	2,447,821	1,076,768	1,442,425	1,066,561	1,837,842
	6,917,827	12,020,756	5,031,505	5,538,785	7,064,127	5,691,825
	4,032,723	3,150,593	3,158,629	3,417,029	2,060,267	3,671,733
	15,880,099	15,277,891	15,324,864	15,635,355	16,754,822	16,666,930
	3,469,307	3,485,610	3,783,152	3,711,166	4,452,951	4,222,782
	25,368,980	25,364,930	24,135,533	27,466,650	27,494,565	31,315,293
	2,794,930	2,095,322	2,097,621	1,596,808	1,594,653	1,452,491
	83,245,417	88,125,424	79,843,333	84,921,190	86,327,888	94,690,551
	815,298	909,307	1,027,308	983,971	1,045,568	1,118,055
\$	84,060,715	\$ 89,034,731	\$ 80,870,641	\$ 85,905,161	\$ 87,373,456	\$ 95,808,606

**Carteret County, North Carolina**

**Changes in Net Position  
Last Ten Fiscal Years (Continued)  
(accrual basis of accounting)**

	Fiscal Year			
	2008	2009	2010	2011
<b>Program Revenues</b>				
Governmental activities				
Charges for services:				
General government	\$ 1,917,552	\$ 1,561,770	\$ 1,477,628	\$ 1,486,751
Public safety	232,885	174,213	162,804	186,134
Transportation	86,039	95,664	125,360	327,244
Economic and physical development	650,171	414,507	435,466	511,550
Environmental protection	2,229,849	2,247,269	2,243,091	2,214,925
Human services	564,816	415,474	382,602	330,817
Cultural and recreation	222,019	203,376	213,789	238,376
Operating grants and contributions:				
General government	52,670	68,319	38,218	-
Public safety	736,971	1,408,259	1,264,069	1,725,254
Transportation	315,952	389,394	403,443	162,064
Economic and physical development	82,939	848,310	665,788	129,447
Environmental protection	342,511	16,114	22,176	15,542
Human services	8,637,735	8,402,963	8,494,321	9,274,540
Cultural and recreation	1,165	-	7,365	3,242
Education	290,335	136,401	148,415	255,946
Interest on long term debt	850,000	1,377,380	700,000	800,000
Capital grants and contributions:				
Public safety	-	-	-	57,660
Transportation	63,694	-	-	251,957
Economic and physical development	-	158,668	-	-
Cultural and recreation	-	1,134,485	236,993	194,693
Education	-	387,070	-	-
<b>Total governmental activities program revenues</b>	<b>17,277,303</b>	<b>19,439,636</b>	<b>17,021,528</b>	<b>18,166,142</b>

(Continued)

	2012	2013	2014	2015	2016	2017
\$	1,642,152	\$ 1,638,250	\$ 1,552,817	\$ 1,612,251	\$ 1,768,252	\$ 1,805,126
	173,546	308,908	293,299	212,708	290,455	269,190
	225,239	184,316	193,228	177,027	135,956	140,384
	575,489	611,160	513,351	544,236	646,629	805,826
	2,189,986	2,198,355	2,398,662	2,431,367	3,299,900	3,271,073
	346,126	334,799	370,946	367,114	642,414	816,799
	277,774	252,227	269,228	297,915	318,530	361,398
	5,465	22,592	-	-	-	-
	1,438,146	1,067,750	1,150,055	1,201,955	1,187,152	1,249,821
	352,943	525,199	643,090	737,800	778,800	1,071,285
	889,989	1,103,253	119,025	547,165	95,577	661,609
	859,246	3,885	406,301	149,085	295,188	216,576
	9,074,506	9,652,900	9,349,318	10,211,027	10,372,796	10,836,099
	405	1,280	26,761	88,314	-	-
	53,241	71,025	45,159	48,172	40,695	36,276
	988,351	965,660	921,831	904,198	865,552	762,829
	26,169	-	-	-	-	-
	2,400	305,185	-	-	222,389	26,130
	354,984	-	-	-	-	-
	111,784	-	-	-	168,320	175,470
	87,984	-	-	-	-	2,044
	19,675,925	19,246,744	18,253,071	19,530,334	21,128,605	22,507,935

**Carteret County, North Carolina**

**Changes in Net Position  
Last Ten Fiscal Years (Continued)  
(accrual basis of accounting)**

	Fiscal Year			
	2008	2009	2010	2011
Business-type activities:				
Charge for services - Water	\$ 550,256	\$ 573,359	\$ 564,172	\$ 457,668
Capital grants and contributions - Water	-	167,757	115,605	384,395
<b>Total business-type activities program revenues</b>	<b>550,256</b>	<b>741,116</b>	<b>679,777</b>	<b>842,063</b>
<b>Total primary government program revenues</b>	<b>\$ 17,827,559</b>	<b>\$ 20,180,752</b>	<b>\$ 17,701,305</b>	<b>\$ 19,008,205</b>
Governmental activities	\$ (84,906,043)	\$ (71,333,189)	\$ (69,225,830)	\$ (66,059,494)
Business-type activities	(262,915)	(193,803)	(118,655)	(7,261)
<b>Total primary government net (expense)/revenue</b>	<b>\$ (85,168,958)</b>	<b>\$ (71,526,992)</b>	<b>\$ (69,344,485)</b>	<b>\$ (66,066,755)</b>

**General Revenues and Other  
Changes in Net Position**

Governmental activities:				
Property taxes	\$ 48,592,344	\$ 50,175,809	\$ 50,528,632	\$ 51,159,340
Local option sales tax	17,531,935	14,210,399	12,277,230	12,051,519
Other taxes	5,415,909	4,542,881	4,398,904	4,595,602
Intergovernmental	665,684	263,104	462,860	677,029
Investment earnings	3,310,752	1,593,849	790,705	401,788
Miscellaneous	90,195	60,939	703,663	79,807
Special Item	-	-	-	-
Transfers	(278,000)	(258,000)	(205,000)	(305,000)
<b>Total governmental activities</b>	<b>75,328,819</b>	<b>70,588,981</b>	<b>68,956,994</b>	<b>68,660,085</b>

Business-type activities:				
Investment earnings	33,908	16,840	15,722	8,679
Intergovernmental, unrestricted	-	-	-	-
Miscellaneous	-	-	-	-
Transfers	278,000	258,000	205,000	305,000
<b>Total business-type activities</b>	<b>311,908</b>	<b>274,840</b>	<b>220,722</b>	<b>313,679</b>
<b>Total primary government</b>	<b>\$ 75,640,727</b>	<b>\$ 70,863,821</b>	<b>\$ 69,177,716</b>	<b>\$ 68,973,764</b>

**Change in Net Position**

Governmental activities	\$ (9,577,224)	\$ (744,208)	\$ (268,836)	\$ 2,600,591
Business-type activities	48,993	81,037	102,067	306,418
<b>Total primary government</b>	<b>\$ (9,528,231)</b>	<b>\$ (663,171)</b>	<b>\$ (166,769)</b>	<b>\$ 2,907,009</b>

2012	2013	2014	2015	2016	2017
\$ 526,067	\$ 575,338	\$ 562,238	\$ 576,057	\$ 576,598	\$ 584,344
3,618	1,751,350	-	-	-	-
529,685	2,326,688	562,238	576,057	576,598	584,344
\$ 20,205,610	\$ 21,573,432	\$ 18,815,309	\$ 20,106,391	\$ 21,705,203	\$ 23,092,279
\$ (63,569,492)	\$ (68,878,680)	\$ (61,590,262)	\$ (65,390,856)	\$ (65,199,283)	\$ (72,182,616)
(285,613)	1,417,381	(465,070)	(407,914)	(468,970)	(533,711)
\$ (63,855,105)	\$ (67,461,299)	\$ (62,055,332)	\$ (65,798,770)	\$ (65,668,253)	\$ (72,716,327)
\$ 51,442,461	\$ 50,250,954	\$ 50,921,192	\$ 52,302,979	\$ 49,616,653	\$ 52,093,862
12,895,813	13,718,008	13,640,870	14,800,458	15,429,458	15,628,026
4,748,326	4,615,833	5,240,019	6,476,176	6,761,921	7,077,155
780,738	793,818	964,088	966,265	1,073,420	1,144,245
539,146	(69,957)	285,376	198,419	269,450	359,363
2,125,900	142,562	205,888	764,879	306,748	251,132
-	2,000,000	1,128,496	-	-	-
(245,000)	(231,565)	(300,000)	(324,000)	(324,000)	(355,000)
72,287,384	71,219,653	72,085,929	75,185,176	73,133,650	76,198,783
9,332	1,219	3,487	2,200	3,647	4,881
-	-	-	-	-	-
-	-	-	1,163	-	548
245,000	231,565	300,000	324,000	324,000	355,000
254,332	232,784	303,487	327,363	327,647	360,429
\$ 72,541,716	\$ 71,452,437	\$ 72,389,416	\$ 75,512,539	\$ 73,461,297	\$ 76,559,212
\$ 8,717,892	\$ 2,340,973	\$ 10,495,667	\$ 9,794,320	\$ 7,934,367	\$ 4,016,167
(31,281)	1,650,165	(161,583)	(80,551)	(141,323)	(173,282)
\$ 8,686,611	\$ 3,991,138	\$ 10,334,084	\$ 9,713,769	\$ 7,793,044	\$ 3,842,885



**Fund Balances, Governmental Funds  
Last Ten Fiscal Years  
(Modified accrual basis of accounting)**

	Fiscal Year		
	2008	2009	2010
<b>General Fund</b>			
Reserved for:			
State statute	\$ 6,058,268	\$ 6,537,961	\$ 5,668,864
Prepaid items	92,056	-	-
Sheriff's fund	61,376	120,361	84,052
Debt Service	-	-	-
Recreation districts	88,665	89,129	89,129
Health programs	1,135,530	973,892	907,160
Register of deeds	293,368	325,898	274,802
Beach nourishment	5,996,954	7,665,277	9,550,285
<b>Total reserve</b>	<b>13,726,217</b>	<b>15,712,518</b>	<b>16,574,292</b>
Unreserved:			
Designated for subsequent year's expenditures	720,000	-	307,505
Undesignated	23,152,988	23,791,470	25,445,763
<b>Total General Fund</b>	<b>\$ 37,599,205</b>	<b>\$ 39,503,988</b>	<b>\$ 42,327,560</b>
<b>All Other Governmental Funds</b>			
Reserved for:			
State statute	\$ -	\$ -	\$ -
E911 wireless	-	-	-
Special districts	1,147,999	1,809,004	2,430,758
	1,147,999	1,809,004	2,430,758
Unreserved:			
Designated for subsequent year's expenditures	19,382,507	12,882,665	1,906,995
Undesignated special revenue funds	1,006,822	1,405,876	948,533
Undesignated capital projects funds	4,891,288	3,473,937	4,280,372
<b>Total all other governmental funds</b>	<b>\$ 26,428,616</b>	<b>\$ 19,571,482</b>	<b>\$ 9,566,658</b>

**Carteret County, North Carolina**

**Fund Balances, Governmental funds  
Last Ten Fiscal Years  
(Modified accrual basis of accounting)**

	Fiscal Year			
	2011	2012	2013	2014
<b>General Fund</b>				
Restricted:				
Stabilization by state statute	\$ 8,696,639	\$ 7,544,942	\$ 5,614,618	\$ 5,613,195
Sheriff's fund	264,217	277,168	403,907	437,789
Recreation districts	94,790	102,739	102,739	102,739
Health programs	931,719	919,286	812,855	797,986
Register of deeds	311,834	341,557	383,149	375,918
Beach nourishment	10,455,564	11,102,845	5,723,261	7,312,865
Economic development	-	-	-	1,705,420
<b>Total restricted</b>	<b>20,754,763</b>	<b>20,288,537</b>	<b>13,040,529</b>	<b>16,345,912</b>
Assigned:				
Subsequent year's expenditures	908,485	1,441,215	1,000,000	5,254,210
Unassigned	21,762,773	25,101,604	30,527,492	30,092,051
<b>Total General Fund</b>	<b>\$ 43,426,021</b>	<b>\$ 46,831,356</b>	<b>\$ 44,568,021</b>	<b>\$ 51,692,173</b>
<b>All Other Governmental Funds</b>				
Restricted:				
Public safety	\$ 401,499	\$ 594,250	\$ 766,750	\$ 688,078
Rescue protection	1,150,690	1,386,031	1,150,716	713,377
Fire protection	1,734,943	2,002,963	1,601,729	1,723,198
School capital	2,735,522	1,958,941	12,114	12,139
Economic development	751,509	896,556	1,041,645	1,290,682
<b>Total restricted</b>	<b>6,774,163</b>	<b>6,838,741</b>	<b>4,572,954</b>	<b>4,427,474</b>
Committed:				
Economic development	721,756	728,994	729,674	732,706
County capital	-	-	500,000	403,529
School capital	432,914	543,229	1,540,719	903,468
Community college capital	-	-	-	-
Assigned:				
Subsequent year's expenditures	161,271	101,360	779,040	1,451,065
County capital	1,675,102	1,308,319	1,083,346	1,005,471
Unassigned:				
Special revenue funds	(680,935)	(786,060)	(855,743)	(1,033,467)
<b>Total all other governmental funds</b>	<b>\$ 9,084,271</b>	<b>\$ 8,734,583</b>	<b>\$ 8,349,990</b>	<b>\$ 7,890,246</b>

Note: The County made the option to adopt GASB 54 fund balance presentation prospectively.

**Schedule 3**  
**Page 2 of 2**

2015	2016	2017
\$ 6,457,421	\$ 6,608,370	\$ 6,881,419
426,804	508,301	547,341
104,081	104,081	116,336
615,523	364,036	121,577
394,275	297,572	264,390
10,283,851	13,083,623	15,986,798
1,128,497	1,128,496	1,096,663
<u>19,410,452</u>	<u>22,094,479</u>	<u>25,014,524</u>
3,717,325	3,775,000	5,205,000
30,644,570	27,941,462	28,626,430
<u>\$ 53,772,347</u>	<u>\$ 53,810,941</u>	<u>\$ 58,845,954</u>
\$ 881,162	\$ 1,238,771	\$ 1,003,977
820,427	927,601	710,162
1,656,221	1,261,069	1,493,758
-	4,512,122	1,438,366
1,494,748	1,578,144	1,457,269
<u>4,852,558</u>	<u>9,517,707</u>	<u>6,103,532</u>
734,594	-	-
403,529	267,038	231,541
2,130,637	1,157,070	566,343
-	750,000	765,000
2,139,650	1,113,105	593,185
820,877	3,581,667	3,268,990
<u>(1,181,701)</u>	<u>(1,295,796)</u>	<u>(1,203,874)</u>
<u>\$ 9,900,144</u>	<u>\$ 15,090,791</u>	<u>\$ 10,324,717</u>

**Carteret County, North Carolina**

**Changes in Fund Balances, Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)**

	Fiscal Year			
	2008	2009	2010	2011
<b>Revenues</b>				
Taxes:				
Property	\$ 48,720,636	\$ 49,678,930	\$ 50,200,352	\$ 50,519,817
Sales and other taxes	22,947,844	18,753,280	16,676,134	16,647,121
<b>Total taxes</b>	<b>71,668,480</b>	<b>68,432,210</b>	<b>66,876,486</b>	<b>67,166,938</b>
Permits and fees	3,079,055	2,484,066	2,355,405	2,407,908
Intergovernmental	12,039,656	14,544,225	12,341,283	13,642,310
Sales and services	2,650,004	2,605,889	2,681,926	2,710,406
Interest	3,310,752	1,593,849	790,705	401,788
Miscellaneous	267,994	149,586	156,290	164,968
<b>Total revenues</b>	<b>93,015,941</b>	<b>89,809,825</b>	<b>85,202,095</b>	<b>86,494,318</b>
<b>Expenditures</b>				
General government	5,745,169	5,821,968	5,852,801	5,710,894
Public safety	16,132,558	16,424,222	16,291,686	18,135,931
Transportation	858,646	941,321	781,852	952,210
Environmental protection	2,900,884	3,070,121	3,104,110	3,189,081
Economic development	4,959,166	5,189,267	4,441,078	4,889,167
Human services	16,391,072	15,774,335	14,618,041	15,221,814
Culture and recreation	3,013,274	2,685,231	2,632,473	1,590,158
Education	21,556,439	22,851,145	21,888,541	28,623,466
Capital outlay	26,052,502	15,564,833	13,242,438	3,505,755
Debt service:				
Principal	5,922,857	13,243,078	6,217,427	6,465,073
Interest	3,568,542	4,077,579	3,188,650	2,943,555
Bond issuance cost	-	-	-	-
<b>Total expenditures</b>	<b>107,101,109</b>	<b>105,643,100</b>	<b>92,259,097</b>	<b>91,227,104</b>
<b>Excess (deficiency) of of revenues over (under) expenditures</b>	<b>(14,085,168)</b>	<b>(15,833,275)</b>	<b>(7,057,002)</b>	<b>(4,732,786)</b>
Other financing sources (uses):				
Transfers in	9,407,194	4,652,822	4,567,901	4,773,110
Transfers out	(9,408,499)	(4,910,822)	(4,772,901)	(5,078,110)
Proceeds from sale of capital assets	-	-	80,750	5,653,860
Special item	-	-	-	-
Bond premium	-	-	-	-
Bonds issued	-	-	-	-
Refunding bonds issued	-	-	-	-
Payment to refunding escrow agent	-	-	-	-
Proceeds from installment note	3,810,221	11,138,924	-	-
<b>Total other financing sources (uses)</b>	<b>3,808,916</b>	<b>10,880,924</b>	<b>(124,250)</b>	<b>5,348,860</b>
<b>Net change in fund balance</b>	<b>\$ (10,276,252)</b>	<b>\$ (4,952,351)</b>	<b>\$ (7,181,252)</b>	<b>\$ 616,074</b>
Debt service as a percentage of noncapital expenditures	8.92%	16.58%	10.64%	10.66%

Schedule 4

	2012	2013	2014	2015	2016	2017
\$	51,069,950	\$ 50,110,266	\$ 50,941,906	\$ 52,173,675	\$ 49,621,522	\$ 51,948,681
	17,644,139	18,333,841	18,880,889	21,276,634	22,191,379	22,705,181
	68,714,089	68,444,107	69,822,795	73,450,309	71,812,901	74,653,862
	2,590,236	2,781,510	2,575,469	2,592,668	3,103,209	3,480,181
	15,026,351	14,512,547	13,625,628	14,853,980	15,099,889	16,180,325
	2,840,076	2,746,505	3,016,062	3,049,951	3,998,927	3,989,615
	539,146	(69,957)	285,376	198,419	269,450	359,363
	211,118	118,669	172,353	647,154	325,215	288,839
	89,921,016	88,533,381	89,497,683	94,792,481	94,609,591	98,952,185
	5,402,432	5,697,525	6,160,049	6,689,088	7,653,713	7,451,324
	16,863,612	17,548,136	18,122,055	18,728,679	18,092,186	19,862,881
	1,159,848	2,658,305	918,872	1,295,944	1,214,961	1,029,693
	4,014,786	3,104,387	3,132,347	3,395,439	3,576,906	3,645,840
	6,862,298	5,782,737	4,922,228	5,582,073	5,548,594	6,125,261
	15,598,191	14,814,576	14,719,500	15,639,871	16,312,094	16,049,596
	2,774,024	2,889,936	3,191,895	3,190,144	3,474,047	3,430,211
	22,306,178	21,265,441	21,816,743	24,173,981	23,551,049	25,173,000
	3,689,741	10,484,171	2,837,981	3,538,776	6,583,987	8,736,799
	6,615,517	6,174,180	6,520,683	6,145,377	6,393,040	6,513,867
	2,883,139	2,558,945	2,280,183	2,067,935	1,719,633	1,583,634
	-	-	-	107,922	-	-
	88,169,766	92,978,339	84,622,536	90,555,229	94,120,210	99,602,106
	1,751,250	(4,444,958)	4,875,147	4,237,252	489,381	(649,921)
	4,218,376	11,921,740	4,911,458	8,725,677	9,606,950	7,227,485
	(4,463,376)	(12,153,305)	(5,211,458)	(9,049,677)	(9,930,950)	(7,582,485)
	1,531,514	2,000,000	53,765	58,782	-	-
	-	-	1,128,496	-	-	1,273,860
	-	2,624,435	-	-	463,860	-
	-	-	-	-	4,600,000	-
	10,029,942	12,700,000	-	12,250,000	-	-
	(10,012,059)	(15,077,852)	-	(12,131,962)	-	-
	-	-	907,000	-	-	-
	1,304,397	2,015,018	1,789,261	(147,180)	4,739,860	918,860
\$	3,055,647	\$ (2,429,940)	\$ 6,664,408	\$ 4,090,072	\$ 5,229,241	\$ 268,939
	10.92%	9.52%	10.52%	9.26%	8.94%	8.36%

**Carteret County, North Carolina**

**Assessed Value and Actual Value of Taxable Property  
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Real Property				Total
	Residential Property	Commercial Property	Industrial Property	Present-use Value (1)	
2008 <sup>(5)</sup>	\$ 15,997,721,971	\$ 1,432,073,317	\$ 37,881,139	\$ 72,565,474	\$ 17,540,241,901
2009	16,851,863,536	1,439,131,806	56,477,589	72,487,688	18,419,960,619
2010	16,549,686,285	1,512,887,462	38,970,411	61,707,853	18,163,252,011
2011	16,534,261,525	1,571,423,205	36,106,300	69,952,621	18,211,743,651
2012 <sup>(5)</sup>	12,615,264,192	1,271,552,597	27,011,645	68,607,085	13,982,435,519
2013	12,928,563,319	1,021,551,269	34,868,391	68,507,500	14,053,490,479
2014	12,977,674,352	1,026,639,566	35,108,082	69,700,524	14,109,122,524
2015	13,066,163,985	1,022,301,188	33,593,356	70,263,592	14,192,322,121
2016 <sup>(5)</sup>	11,863,427,000	1,158,966,816	40,894,377	60,528,976	13,123,817,169
<b>2017</b>	<b>12,028,089,441</b>	<b>1,138,917,384</b>	<b>40,521,183</b>	<b>61,238,487</b>	<b>13,268,766,495</b>

Source:

- (1) Present use value property is agricultural, horticultural and forestland for which the owner has applied for the property to be taxed at its present use. The difference in taxes on the present use basis and the taxes that would have been payable are a lien on the property and are deferred. The taxes become due if the property ceases to qualify for present use value. The preceding three fiscal years' taxes are then required to be paid.
- (2) Public service companies' valuations are provided to the County by the North Carolina Department of Revenue. These amounts include both real and personal property.
- (3) Per \$100 of value.
- (4) The estimated market value is calculated by dividing the assessed value by an assessment-to-sales ratio determined by the North Carolina Department of Revenue. The ratio is based on actual property sales which took place during the fiscal year.
- (5) Revaluation Years

Schedule 5

Personal Property	Public Service Companies (2)	Total Assessed Valuation	Total Direct Tax Rate (3)	Estimated Actual Taxable Value (4)
\$ 953,369,547	\$ 126,877,222	\$ 18,620,488,670	0.23	\$ 18,923,260,843
473,475,911	135,389,122	19,028,825,652	0.23	17,778,631,807
847,540,430	143,635,821	19,154,428,262	0.23	16,731,393,087
935,669,710	140,251,857	19,287,665,218	0.23	15,091,511,700
952,555,055	137,116,774	15,072,107,348	0.30	15,072,107,348
990,156,693	134,766,034	15,178,413,206	0.29	15,178,413,206
1,212,368,458	129,665,570	15,451,156,552	0.29	15,451,156,552
1,049,826,237	123,526,642	15,365,675,000	0.30	15,365,675,000
1,232,232,454	142,852,043	14,498,901,666	0.30	14,498,901,666
<b>1,307,233,688</b>	<b>144,399,817</b>	<b>14,720,400,000</b>	<b>0.31</b>	<b>14,851,089,588</b>



**Property Tax Rates - Direct and Overlapping Governments - Summary**  
**(Per \$100.00 of Assessed Value)**  
**Last Ten Fiscal Years**

Fiscal Year	Carteret County Operating Mileage	Overlapping Rates <sup>1</sup>		Total Direct and Overlapping Rates
		Municipalities Operating Mileage	Special Districts	
2008	0.2300	1.3420	1.8121	3.3841
2009	0.2300	1.4550	1.8040	3.4890
2010	0.2300	1.4950	1.9090	3.6340
2011	0.2300	1.5400	1.9640	3.7340
2012	0.3000	1.8880	2.0560	4.2440
2013	0.2900	1.9180	1.9985	4.2065
2014	0.2900	1.9030	1.9835	4.1765
2015	0.3000	1.9630	1.9485	4.2115
2016	0.3000	2.0865	1.9810	4.3775
<b>2017</b>	<b>0.3100</b>	<b>2.1315</b>	<b>2.0663</b>	<b>4.5078</b>

Source: Carteret County Tax Department

<sup>1</sup> Overlapping rates are those of municipal governments and special districts that apply to property owners within the County. Not all overlapping rates apply to all County property owners (e.g., the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district).

The following table provides the detail of the municipalities and special taxing districts for 10 years.

**Carteret County, North Carolina**

**Property Tax Rates - Direct and Overlapping Governments - Detail  
(Per \$100.00 of Assessed Value)  
Last Ten Fiscal Years**

	Fiscal Year			
	2008	2009	2010	2011
<b>Carteret County</b>	0.2300	0.2300	0.2300	0.2300
<b>Municipalities</b>				
Atlantic Beach	0.1500	0.1250	0.1250	0.1250
Beaufort	0.1900	0.2200	0.2200	0.2200
Bogue	0.0500	0.0500	0.0500	0.0500
Cape Carteret	0.1550	0.1550	0.1400	0.1400
Cedar Point	0.0500	0.0500	0.0550	0.0550
Emerald Isle	0.0670	0.0700	0.0700	0.0800
Indian Beach	0.0600	0.1100	0.1400	0.1500
Morehead City	0.2200	0.2200	0.2200	0.2200
Newport	0.2700	0.2900	0.3100	0.3300
Pelletier	0.0500	0.0500	0.0500	0.0550
Pine Knoll Shores	0.0800	0.1150	0.1150	0.1150
<b>Fire Districts</b>				
Atlantic	0.0700	0.0700	0.0700	0.0700
Beaufort	0.0300	0.0350	0.0350	0.0550
Broad & Gales Creek	0.0450	0.0450	0.0450	0.0300
Cedar Island	0.1000	0.1000	0.1000	0.1000
Davis	0.0850	0.0900	0.0900	0.0850
Harkers Island	0.0400	0.0400	0.0650	0.0700
Harlowe	0.0450	0.0450	0.0550	0.0600
Marshallberg	0.0850	0.0850	0.0800	0.0900
Mill Creek	0.0450	0.0450	0.0450	0.0450
Mitchell Village	0.0900	0.0750	0.0750	0.0750
Newport	0.0400	0.0700	0.0700	0.0700
North River	0.0450	0.0450	0.0900	0.0900
Otway	0.0250	0.0500	0.0500	0.0500
Salter Path	0.0300	0.0300	0.0300	0.0300
Sea Level	0.1000	0.1000	0.1000	0.1000
South River/ Merrimon	0.0550	0.0350	0.0600	0.0600
Stacy	0.0600	0.0700	0.0700	0.0850
Stella	0.0250	0.0200	0.0250	0.0400
Western Carteret	0.0400	0.0400	0.0400	0.0400
Wildwood	0.0450	0.0600	0.0600	0.0650

(Continued)

2012	2013	2014	2015	2016	2017
0.3000	0.2900	0.2900	0.3000	0.3000	<b>0.3100</b>
0.1700	0.1700	0.1650	0.1650	0.1650	<b>0.1650</b>
0.2600	0.3000	0.3000	0.3300	0.3475	<b>0.3475</b>
0.0500	0.0500	0.0500	0.0500	0.0500	<b>0.0500</b>
0.1625	0.1525	0.1525	0.1525	0.1525	<b>0.1975</b>
0.0625	0.0625	0.0625	0.0625	0.0625	<b>0.0625</b>
0.1150	0.1150	0.1250	0.1400	0.1550	<b>0.1550</b>
0.2150	0.2150	0.1650	0.1650	0.1950	<b>0.1950</b>
0.2850	0.2850	0.3150	0.3300	0.3500	<b>0.3500</b>
0.3570	0.3570	0.3570	0.3570	0.3570	<b>0.3570</b>
0.0550	0.0550	0.0550	0.0550	0.0550	<b>0.0550</b>
0.1560	0.1560	0.1560	0.1560	0.1970	<b>0.1970</b>
0.0700	0.0700	0.0700	0.0700	0.0800	<b>0.0800</b>
0.0550	0.0550	0.0550	0.0550	0.0550	<b>0.0550</b>
0.0300	0.0300	0.0300	0.0300	0.0300	<b>0.0400</b>
0.1000	0.1000	0.1000	0.1000	0.1000	<b>0.1000</b>
0.0850	0.0850	0.0850	0.0850	0.0850	<b>0.0850</b>
0.0800	0.0800	0.0700	0.0700	0.0850	<b>0.1100</b>
0.0750	0.0750	0.0750	0.0750	0.0750	<b>0.0750</b>
0.0900	0.0900	0.0900	0.0900	0.0975	<b>0.0975</b>
0.0450	0.0450	0.0450	0.0450	0.0450	<b>0.0450</b>
0.0750	0.0650	0.0550	0.0500	0.0500	<b>0.0500</b>
0.0700	0.0700	0.0700	0.0700	0.0700	<b>0.0700</b>
0.0900	0.0900	0.0900	0.0900	0.0900	<b>0.0900</b>
0.0550	0.0550	0.0700	0.0700	0.0700	<b>0.0800</b>
0.0500	0.0600	0.0600	0.0600	0.0600	<b>0.0700</b>
0.0950	0.0950	0.0950	0.0950	0.0950	<b>0.0950</b>
0.0600	0.0600	0.0600	0.0600	0.0600	<b>0.0600</b>
0.0850	0.0850	0.0850	0.0850	0.0850	<b>0.0850</b>
0.0400	0.0400	0.0400	0.0400	0.0400	<b>0.0400</b>
0.0400	0.0400	0.0400	0.0400	0.0400	<b>0.0400</b>
0.0850	0.0850	0.0850	0.0675	0.0675	<b>0.0675</b>

**Carteret County, North Carolina**

**Property Tax Rates - Direct and Overlapping Governments - Detail (Continued)**  
**(Per \$100.00 of Assessed Value)**  
**Last Ten Fiscal Years**

	Fiscal Year			
	2008	2009	2010	2011
<b>Rescue Districts</b>				
Beaufort	0.0250	0.0400	0.0450	0.0450
Broad & Gales Creek	0.0350	0.0350	0.0300	0.0300
Mill Creek	0.0450	0.0450	0.0450	0.0450
Mitchell Village	0.0250	0.0400	0.0400	0.0400
Otway	0.0300	0.0300	0.0300	0.0300
Sea Level	0.1200	0.1200	0.1200	0.1200
Western Carteret	0.0300	0.0300	0.0300	0.0300
<b>Beach Nourishment Districts</b>				
Salter Path	-	-	-	-
Indian Beach Non Ocean Front	0.0200	0.0100	0.0100	0.0100
Indian Beach Ocean Front	0.0100	0.0100	0.0100	0.0100
Emerald Isle Non Ocean Front	0.0110	0.0110	0.0110	0.0110
Emerald Isle Ocean Front	0.1620	0.1620	0.1620	0.1620
Pine Knoll Shores Ocean Front	0.0264	0.0160	0.0160	0.0160
Pine Knoll Shores Non Ocean Front	0.1727	0.1050	0.1050	0.1050
<b>Water Districts</b>				
County Water District <sup>1</sup>	-	-	-	-

Source: Carteret County Tax Department

Notes:

<sup>1</sup>First Year Tax District 2012

2012	2013	2014	2015	2016	2017
0.0500	0.0500	0.0500	0.0500	0.0550	<b>0.0550</b>
0.0300	0.0300	0.0300	0.0300	0.0300	<b>0.0400</b>
0.0450	0.0450	0.0450	0.0450	0.0450	<b>0.0450</b>
0.0400	0.0300	0.0200	0.0200	0.0200	<b>0.0200</b>
0.0300	0.0300	0.0300	0.0300	0.0400	<b>0.0550</b>
0.0800	0.0600	0.0600	0.1000	0.1000	<b>0.1000</b>
0.0300	0.0300	0.0300	0.0300	0.0300	<b>0.0300</b>
0.1500	0.0500	0.0500	0.0500	0.0550	<b>0.0550</b>
0.0100	0.0325	0.0325	0.0300	0.0200	<b>0.0200</b>
0.0350	0.0850	0.0850	0.0650	0.0400	<b>0.0400</b>
0.0150	0.0150	0.0150	0.0000	0.0000	<b>0.0000</b>
0.0450	0.0450	0.0450	0.0300	0.0400	<b>0.0400</b>
0.0140	0.0140	0.0140	0.0140	0.0160	<b>0.0160</b>
0.0520	0.0520	0.0520	0.0520	0.0600	<b>0.0600</b>
0.0550	0.0550	0.0550	0.0550	0.0550	<b>0.0550</b>



**Ten Largest Taxpayers  
Current Year and Ten Years Ago**

Name of Taxpayer	Type of Enterprise	Fiscal Year 2017			Fiscal Year 2008		
		Assessed Valuation	Rank	Percent of Total Assessed Valuation	Assessed Valuation	Rank	Percent of Total Assessed Valuation
Carteret Craven Electric	Utility	\$ 124,216,831	1	0.844%	\$ 45,279,252	3	0.24%
Progress Energy	Utility	96,170,522	2	0.653%	38,242,907	4	0.20%
Open Grounds Farm, Inc.	Farm	90,854,189	3	0.617%	70,558,730	2	0.38%
Goose Creek Landing HOA	Real Estate	30,236,690	4	0.205%	33,632,381	5	0.18%
ITAC 192 LLC	Real Estate	25,357,352	5	0.172%	-	-	-
Time Warner Entertainment	Communication:	23,165,066	6	0.157%	-	-	0.00%
Stevens Towing Company	Barge Transport	21,070,438	7	0.143%	-	-	-
Atlantic Newport Hospitality	Hotel	20,400,000	8	0.139%	-	-	-
USPG Portfolia One LLC	Retail	20,274,257	9	0.138%	-	-	0.00%
Weyerhaeuser Company	Real Estate	19,438,240	10	0.132%	-	-	0.00%
Bogue Watch LLC	Real Estate	-	-	-	92,137,262	1	0.49%
Carolina Telephone	Utility	-	-	-	30,358,144	6	0.16%
Atlantic Veneer Corp	Manufacturing	-	-	-	22,658,937	8	0.12%
GR&S Atlantic Beach Ltd	Hotel	-	-	-	26,471,645	7	0.14%
Pazon M Holz	Real Estate	-	-	-	21,601,435	9	0.12%
Block 39 LLC	Real Estate	-	-	-	17,593,719	10	0.09%
		<b>\$ 471,183,585</b>		<b>3.200%</b>	<b>\$ 398,534,412</b>		<b>2.120%</b>

Source: Carteret County Tax Department

**Carteret County, North Carolina**

**Property Tax Levies and Collections  
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments	Collected Within the Fiscal Year of the Levy		
			Total Tax Levy (1)(2)	Amount	Percentage of Levy
2008	\$ 43,386,701	\$ (155,433)	\$ 43,231,268	\$ 42,240,730	97.71%
2009	43,880,900	(110,551)	43,770,349	42,486,645	97.07%
2010	44,158,178	(112,655)	44,045,523	42,758,524	97.08%
2011	44,397,414	(9,277)	44,388,137	43,043,486	96.97%
2012	45,203,707	(111,955)	45,091,752	43,758,543	97.04%
2013	44,109,338	(67,788)	44,041,550	42,824,327	97.24%
2014	44,863,630	(54,094)	44,809,536	43,722,134	97.57%
2015	46,118,930	(37,415)	46,081,515	45,099,962	97.87%
2016	43,572,880	(70,565)	43,502,315	42,642,837	98.02%
2017	<b>45,841,885</b>	<b>(208,645)</b>	<b>45,633,240</b>	<b>44,595,689</b>	<b>97.73%</b>

Notes:

(1) Includes General Fund

(2) Does not include reimbursement in-lieu-of taxes and Senior Citizens Exemptions

**Schedule 9**

Total Collections to Date			
Collections of Subsequent Years	Amount	Percentage of Levy	
\$ 905,747	\$ 43,146,477	99.80%	
1,132,782	43,619,427	99.66%	
1,186,937	43,945,461	99.77%	
1,219,450	44,262,936	99.72%	
1,164,763	44,923,306	99.63%	
982,577	43,806,904	99.47%	
808,357	44,530,491	99.38%	
615,710	45,715,672	99.21%	
382,234	43,025,071	98.90%	
-	<b>44,595,689</b>	<b>97.73%</b>	

**Carteret County, North Carolina**

**Ratios of Outstanding Debt by Type,  
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities			
	General Obligation Bonds	Net Premiums Discounts and Adjustments	Certificates of Participation	Installment Loans
2008	\$ 59,550,000	\$ 221,156	\$ 15,605,000	\$ 6,367,364
2009	55,920,000	(197,572)	7,045,000	16,453,210
2010	52,330,000	(137,327)	5,735,000	15,135,783
2011	48,745,000	(77,132)	5,155,000	18,489,570
2012	45,100,000	35,220	4,660,000	16,099,052
2013	40,605,000	3,464,917	4,040,000	14,339,872
2014	36,545,000	3,100,791	3,560,000	13,365,073
2015	33,475,000	2,680,697	3,090,000	11,709,696
2016	33,820,000	2,768,620	2,630,000	10,031,656
<b>2017</b>	<b>29,410,000</b>	<b>2,417,445</b>	<b>2,175,000</b>	<b>8,382,789</b>

\* Information not yet available

**Notes:**

Details regarding the County's outstanding debt can be found in the notes to financial statements.

(1) See Schedule 14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Personal income not available to calculate fiscal years 2016 and 2017.

Business Activity								
Installment Loans	Bond Anticipation Notes	Revenue Bonds	Total Primary Government	Per Capita (1)	Percentage of Personal Income (1)			
\$ 2,985,480	\$ -	\$ -	\$ 84,729,000	\$ 1,335	3.53%			
2,814,448	-	-	82,035,086	1,294	3.31%			
2,643,416	-	-	75,706,872	1,183	2.93%			
2,472,384	1,046,000	-	75,830,822	1,184	2.87%			
2,301,352	1,046,000	-	69,241,624	1,064	2.45%			
2,130,320	-	1,046,000	65,626,109	1,064	2.27%			
1,959,288	-	1,046,000	59,576,152	862	1.97%			
1,788,256	-	1,030,000	53,773,649	778	1.77%			
1,617,224	-	1,014,000	51,881,500	744	*			
<b>1,446,192</b>	-	<b>997,000</b>	<b>44,828,426</b>	<b>637</b>	*			



**Ratios of Net General Bonded Debt Outstanding,  
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Net General Obligation Bonded Debt	Assessed Value	Percentage of Actual Taxable Value of Property	Percentage of Personal Income	Population (1)	Net General Obligation Bonded Debt Per Capita
2008	\$ 59,771,156	\$ 18,620,488,670	0.32%	2.49%	63,294	\$ 944.34
2009	55,722,428	19,028,825,652	0.29%	2.25%	63,535	877.04
2010	52,192,673	19,154,428,262	0.27%	2.02%	64,107	814.15
2011	48,667,868	19,287,665,218	0.25%	1.84%	65,050	748.16
2012	45,135,220	15,072,107,348	0.30%	1.60%	67,696	666.73
2013	44,069,917	15,178,413,206	0.29%	1.53%	68,645	642.00
2014	39,645,791	15,451,156,552	0.26%	1.31%	69,092	573.81
2015	36,155,697	15,365,675,000	0.24%	1.19%	70,079	515.93
2016	36,588,620	14,498,901,666	0.25%	*	69,706	524.90
<b>2017</b>	<b>31,827,445</b>	<b>14,720,400,000</b>	<b>0.22%</b>	*	<b>70,401</b>	<b>452.09</b>

Notes:

Details regarding the County's outstanding debt can be found in the notes to financial statements.

(1) NC Office of State Planning

\*Personal income not available to calculate fiscal years 2016 and 2017

**Carteret County, North Carolina**

**Computation of Legal Debt Margin  
Last Ten Fiscal Years**

	Fiscal Year			
	2008	2009	2010	2011
Assessed values of property	\$ 18,620,488,670	\$ 19,028,825,652	\$ 19,154,428,262	\$ 19,287,665,218
Debt limit 8% of assessed value	1,489,639,094	1,522,306,052	1,532,354,261	1,543,013,217
Gross debt:				
Total bonded debt	75,155,000	62,965,000	58,065,000	53,900,000
Installment debt	6,367,364	16,453,210	15,135,783	18,489,570
Net bond premiums and adjustments	221,156	(197,572)	(137,327)	(77,132)
Authorized unissued bonded debt	9,710,000	9,710,000	9,710,000	9,710,000
<b>Total amount of debt applicable to debt limit</b>	<b>91,453,520</b>	<b>88,930,638</b>	<b>82,773,456</b>	<b>82,022,438</b>
Legal debt margin	<b>\$ 1,398,185,574</b>	<b>\$ 1,433,375,414</b>	<b>\$ 1,449,580,805</b>	<b>\$ 1,460,990,779</b>
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	<b>6.14%</b>	<b>5.84%</b>	<b>5.40%</b>	<b>5.32%</b>

Schedule 12

2012	2013	2014	2015	2016	2017
\$ 15,072,107,348	\$ 15,178,413,206	\$ 15,451,156,552	\$ 15,365,675,000	\$ 14,498,901,666	\$ 14,720,400,000
1,205,768,588	1,214,273,056	1,236,092,524	1,229,254,000	1,159,912,133	1,177,632,000
49,760,000	44,645,000	40,105,000	36,565,000	36,450,000	31,585,000
16,099,052	14,339,872	13,365,073	11,709,696	10,031,656	8,382,789
35,220	3,464,917	3,100,791	2,680,697	2,768,620	2,417,445
9,710,000	9,710,000	9,710,000	9,710,000	-	-
75,604,272	72,159,789	66,280,864	60,665,393	49,250,276	42,385,234
\$ 1,130,164,316	\$ 1,142,113,267	\$ 1,169,811,660	\$ 1,168,588,607	\$ 1,110,661,857	\$ 1,135,246,766
6.27%	5.94%	5.36%	4.94%	4.25%	3.60%

**Computation of Direct and Overlapping Debt  
Governmental Activities Debt  
June 30, 2017**

	Outstanding Debt	Percent Applicable to County	Amount Applicable to County
<b>Direct</b>			
Carteret County (1)	\$ 42,385,234	100.00%	\$ 42,385,234
<b>Overlapping</b>			
Town of Newport (2)	1,881,939	100.00%	1,881,939
Town of Pine Knoll Shores (2)	3,014,000	100.00%	3,014,000
Subtotal overlapping debt	<u>4,895,939</u>		<u>4,895,939</u>
Total direct and overlapping debt	<u>\$ 47,281,173</u>		<u>\$ 47,281,173</u>

Data Sources:

- (1) County's debt records
- (2) Municipal finance departments

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the County. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the County. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

**Demographic Statistics  
Last Ten Fiscal Years**

Fiscal Year	Population (1)	Personal Income (2) (in thousands)	Per Capita Personal Income (2)	Unemployment Rate (3)	Public School Enrollment (4)
2008	63,294	\$ 2,401,852	\$ 37,796	4.74%	8,297
2009	63,535	2,477,362	38,455	7.42%	8,294
2010	64,107	2,583,758	40,304	8.39%	8,273
2011	65,050	2,639,299	39,174	8.35%	8,491
2012	67,696	2,824,360	41,761	9.30%	8,336
2013	68,645	2,888,870	42,214	8.48%	8,307
2014	69,092	3,021,043	43,903	6.50%	8,254
2015	70,079	3,044,352	43,442	5.76%	8,445
2016	69,706	*	*	5.67%	8,141
<b>2017</b>	<b>70,401</b>	*	*	<b>4.83%</b>	<b>8,072</b>

## Data Sources:

(1) North Carolina Office of State Planning

(2) Bureau of Economic Analysis, U.S. Department of Commerce. Figures are for the prior calendar year.

(3) North Carolina Department of Commerce Division of Employment Security

(4) Carteret County Board of Education

\* Information Unavailable

**Principal Employers  
Current Year and Ten Years Ago**

Employer	2017			2008		
	Employment Range	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Carteret County Public Schools	1000+	1	-	1,439	1	4.40%
Carteret General Hospital	1000+	2	-	994	2	3.04%
Carteret County	500-999	3	-	437	4	1.33%
Wal-Mart Associates Inc	250-499	4	-	544	3	1.66%
Carteret Community College	250-499	5	-	348	6	1.06%
Big Rock Sports LLC	250-499	6	-	-	-	-
Lowes Home Improvements	250-499	7	-	-	-	-
Food Lion	250-499	8	-	-	-	-
Bally Refrigerated Boxes	250-499	9	-	171	10	0.52%
Town of Morehead City	100-249	10	-	-	-	-
Atlantic Veneer	-	-	-	350	5	1.07%
US Coast Guard	-	-	-	273	7	0.83%
Henry's Tackle & Sporting Goods	-	-	-	237	8	0.72%
NC Natural Resources and Community Development	-	-	-	229	9	0.70%

Source: NC Commerce LEAD Division  
2017 Employees are full time



**Carteret County, North Carolina**

**Full-time Equivalent County Government Employees by Function,  
Last Ten Fiscal Years**

Function/Program	Full-Time Equivalent			
	2008	2009	2010	2011
General government	66.10	66.10	66.40	66.60
Public safety	114.00	119.00	114.30	141.00
Transportation	2.00	2.00	2.00	2.00
Economic and physical development	19.50	18.50	17.00	17.00
Environmental protection	6.00	6.00	7.00	7.00
Human Services	167.80	171.80	169.58	169.91
Cultural and recreation	22.00	22.00	20.92	21.49
Water/Sewer (Business activity)	4.40	4.40	4.40	4.40
<b>Total</b>	<b>401.80</b>	<b>409.80</b>	<b>401.60</b>	<b>429.40</b>

Source: County Finance Department

**Notes:**

This schedule represents number of persons employed as of June 30 of each year.

Full-time personnel work 2,080 hours per year (less vacation and sick leave).

For purposes of this schedule the number of part-time employees has been divided by 2.5 to arrive at the full-time equivalents.

Schedule 16

2012	2013	2014	2015	2016	2017
62.85	57.85	59.80	60.80	61.80	<b>62.20</b>
130.00	135.00	137.00	138.00	141.00	<b>144.00</b>
2.00	3.00	3.00	4.00	4.00	<b>4.00</b>
17.00	14.00	13.87	13.87	14.00	<b>16.50</b>
7.00	7.00	6.50	6.50	6.50	<b>6.50</b>
169.33	169.33	168.33	170.98	177.00	<b>184.18</b>
20.07	19.07	20.07	20.42	22.42	<b>22.42</b>
4.15	4.15	4.83	4.83	4.70	<b>4.80</b>
<b>412.40</b>	<b>409.40</b>	<b>413.40</b>	<b>419.40</b>	<b>431.42</b>	<b>444.60</b>

**Carteret County, North Carolina**

**Operating Indicators by Function  
Last Nine Fiscal Years**

Function	Fiscal Year		
	2009	2010	2011
Sheriff:			
Physical arrests	2,410	2,363	2,270
Environmental Protection:			
Solid waste convenience sites:			
Refuse collected (tons / day)	42.90	44.00	41.48
Recycled Material (tons / day)	4.30	5.00	2.34
Yard Waste (tons / day)	3.82	4.00	3.12
Culture and recreation:			
Park reservations	5,838	5,599	5,404
Senior center and community center admissions	84,315	104,501	93,504
Public libraries:			
Admissions	255,486	271,856	289,197
Electronic resources users	181,896	201,525	237,737
Water:			
New connections	54	60	32
Water mains breaks	-	-	3
Average daily consumption (gallons / day)	94	97	130

Sources: Various government departments.

Notes:

No indicators are available for the general government, economic development, and human services functions.

Data prior to fiscal year ending 2009 is not available

Schedule 17

2012	2013	2014	2015	2016	2017
2,288	2,091	2,018	1,659	1,773	<b>1,815</b>
45.46	43.74	46.25	45.23	38.36	<b>42.17</b>
4.24	4.26	5.15	3.90	2.38	<b>4.19</b>
2.61	3.50	11.00	4.80	3.24	<b>9.28</b>
5,792	6,099	6,462	7,888	7,192	<b>7,508</b>
98,616	124,177	110,435	103,007	117,355	<b>128,229</b>
293,613	286,588	269,839	269,184	261,578	<b>259,850</b>
365,516	400,407	292,250	332,243	286,530	<b>227,773</b>
30	35	25	18	15	<b>14</b>
3	2	2	-	-	<b>1</b>
150	125	127	117	118	<b>119</b>

**Carteret County, North Carolina**

**Capital Asset Statistics by Function  
Last Ten Fiscal Years**

Function	Fiscal Year			
	2008	2009	2010	2011
Public safety:				
Sheriff				
Stations	1	1	1	1
Patrol Units	24	24	24	24
Environmental protection:				
Solid waste convenience sites	12	12	12	12
Culture and recreation:				
Park acreage	159	159	159	159
Parks	7	7	7	7
Tennis courts	5	5	5	5
Community centers	2	2	2	2
Public libraries	4	4	4	4
Water:				
Water mains (miles)	48	48	48	51
Maximum daily capacity	600,000	600,000	600,000	600,000

Sources: Various county departments.

Notes:

No capital asset indicators are available for the general government, economic development, and human services functions.

Schedule 18

2012	2013	2014	2015	2016	2017
1	1	1	1	1	1
24	24	24	24	24	24
12	12	12	12	12	12
163	163	163	163	163	163
9	9	9	9	9	9
14	14	14	14	14	14
3	3	3	3	3	3
5	5	5	5	5	5
51	51	51	51	51	51
600,000	600,000	600,000	600,000	600,000	600,000



# Compliance Section

## **Compliance Section**

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The Compliance Section contains various schedules and Auditor opinions reflecting Federal, State and Local matching participation in various projects and programs of the County. The Single Audit Amendments Act of 1996 established audit requirements for State and Local governments that receive Federal assistance. The audit requirements were established to insure that audits are conducted on an organization wide basis, rather than on a grant-by-grant basis.

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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***

**Independent Auditor's Report**

To the Board of County Commissioners  
Carteret County, North Carolina

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Carteret County, North Carolina, (the County) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 14, 2017. Our report includes a reference to other auditors who audited the financial statements of Carteret County Tourism Development Authority, Beaufort-Morehead City Airport Authority, Carteret County General Hospital Corporation and Carteret County Alcoholic Beverage Control (ABC) Board, as described in our report on the County's basic financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Carteret County General Hospital Corporation and Carteret County ABC Board were not audited in accordance with *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County'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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be 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 County's financial statements are free from 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 County's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*RSM US LLP*

Morehead City, North Carolina  
December 14, 2017

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

RSM US LLP

**Independent Auditor's Report**

To the Board of County Commissioners  
Carteret County, North Carolina

**Report on Compliance for the Major Federal Program**

We have audited Carteret County, North Carolina's (the County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on the County's major federal program for the year ended June 30, 2017. The County's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

The County's basic financial statements include the operations of Carteret County Tourism Development Authority, Beaufort-Morehead City Airport Authority, Carteret County General Hospital Corporation and Carteret County Alcoholic Beverage Control (ABC) Board, all discretely presented component units of the County. Our audit of compliance, described below, did not include the operations of the Carteret County Tourism Development Authority, Beaufort-Morehead City Airport Authority, Carteret County General Hospital Corporation and the ABC Board because the financial statements of the Carteret County General Hospital Corporation and the ABC Board (audited by other auditors) were not audited in accordance with *Government Auditing Standards*, the Uniform Guidance or the State Single Audit Implementation Act and Beaufort-Morehead City Airport Authority and Carteret County Tourism Development Authority engaged other auditors to perform an audit of compliance.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the County's major federal program 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance 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 County'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 the major federal program. However, our audit does not provide a legal determination of the County's compliance.

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### **Opinion on the Major Federal Program**

In our opinion, the County 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 federal program for the year ended June 30, 2017.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as findings 2017-001 through 2017-015. Our opinion on the major federal program is not modified with respect to these matters.

The County's responses to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Report on Internal Control Over Compliance**

Management of the County 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 County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Findings 2017-001 through 2017-015 that we consider to be a significant deficiencies.

The County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. The County's responses were not subjected to auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

*RSM US LLP*

Morehead City, North Carolina  
December 14, 2017



**Report on Compliance for Each Major State Program;  
Report on Internal Control Over Compliance  
in Accordance with the Uniform Guidance and  
State Single Audit Implementation Act**

**Independent Auditor's Report**

To the Board of County Commissioners  
Carteret County, North Carolina

**Report on Compliance for Each Major State Program**

We have audited Carteret County, North Carolina's (the County) 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, 2017. The County's major State program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

The County's basic financial statements include the operations of Carteret County Tourism Development Authority, Beaufort-Morehead City Airport Authority, Carteret County General Hospital Corporation and Carteret County Alcoholic Beverage Control (ABC) Board, all discretely presented component units of the County. Our audit of compliance, described below, did not include the operations of the Carteret County Tourism Development Authority, Beaufort-Morehead City Airport Authority, Carteret County General Hospital Corporation and the ABC Board because the financial statements of the Carteret County General Hospital Corporation and the ABC Board (audited by other auditors) were not audited in accordance with *Government Auditing Standards*, applicable sections of the Uniform Guidance or the State Single Audit Implementation Act and Beaufort-Morehead City Airport Authority and Carteret County Tourism Development Authority engaged other auditors to perform an audit of compliance.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the County's major State program 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; applicable sections of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, 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 State program occurred. An audit includes examining, on a test basis, evidence about the County'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 the major State program. However, our audit does not provide a legal determination of the County's compliance.

## **Opinion on the Major State Program**

In our opinion, the County 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, 2017.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with applicable sections of the Uniform Guidance as described in the *Audit Manual for Governmental Auditors in North Carolina* and which are described in the accompanying Schedule of Findings and Questioned Costs as findings 2017-016 through 2017-031. Our opinion on the major State program is not modified with respect to these matters.

The County's responses to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Report on Internal Control Over Compliance**

Management of the County 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 County's internal control over compliance with the types of requirements that could have a direct and material effect on the major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major State program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as findings 2017-016 through 2017-031, that we consider to be significant deficiencies.

The County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

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

*RSM US LLP*

Morehead City, North Carolina  
December 14, 2017

**Carteret County, North Carolina**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2017**

**I - Summary of Auditor's Results**

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u>          </u> Yes	<u>      X      </u> No
Significant deficiency(ies) identified?	<u>          </u> Yes	<u>      X      </u> None Reported

Noncompliance material to financial statements noted?	<u>          </u> Yes	<u>      X      </u> No
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Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	<u>          </u> Yes	<u>      X      </u> No
Significant deficiency(ies) identified?	<u>      X      </u> Yes	<u>          </u> None Reported

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

Unmodified

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

<u>      X      </u> Yes	<u>          </u> No
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Identification of major federal program:

<u>Program Name</u>	<u>CFDA</u>
Medical Assistance	93.778

Dollar threshold used to distinguish between type A and type B programs:

\$ 1,772,523

Auditee qualified as low-risk auditee?	<u>      X      </u> Yes	<u>          </u> No
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(Continued)

**Carteret County, North Carolina**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2017**

**I - Summary of Auditor's Results (Continued)**

State Awards

Internal control over major State programs:

Material weakness(es) identified?	<u>        </u> Yes	<u>  X  </u> No
Significant deficiency(ies) identified?	<u>  X  </u> Yes	<u>        </u> None Reported

Type of auditor's report issued on compliance for major State programs	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?	<u>  X  </u> Yes	<u>        </u> No
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Identification of major State programs:

<u>Program Name</u>	<u>Grant Number</u>
Medical Assistance (State Portion)	N/A

**Carteret County, North Carolina**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2017**

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**Section II. Financial Statement Findings**

None reported.

**Section III. Federal Award Findings and Questioned Costs**

**US Department of Health and Human Services**

Passed through the NC Dept. of Health and Human Services (NC DHHS)

Program Name: Medical Assistance Program (MA)

CFDA # 93.778

Testing of Medical Assistance identified questioned costs which are detailed individually below in Findings: 2017-001 through 2017-015. When the total known questioned costs of \$3,482 are projected to the entire population of benefit payments, the likely total questioned costs are \$165,627.

**Significant Deficiency and Noncompliance – MA Eligibility**

**Finding: 2017-001**

**Criteria:** Per the NC DHHS, Division of Medical Assistance (DMA) requirements, the County Department of Social Services (DSS) is responsible for utilizing the proper method of determining a client's eligibility.

**Condition and Context:** Of the one-hundred and twelve cases sampled, we noted two cases with four instances in which the client's living arrangement was not entered correctly in NCFAST and the caseworker did not determine if client was paying their fair share of household living expenses.

**Effect:** Potential for ineligible applicant to receive benefits.

**Cause:** Administrative oversight.

**Questioned costs:** None noted.

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of applicable program requirements. Additionally, we recommend increasing state required 2<sup>nd</sup> party reviews of case files by supervisors to ensure program requirements have been met.

**Views of Responsible Management:** See management's corrective action plan.

**Significant Deficiency and Noncompliance – MA Eligibility**

**Finding: 2017-002**

**Criteria:** Per the NC DHHS-DMA requirements, the County DSS is responsible for utilizing the proper method and related documentation in determining a client's eligibility.

(Continued)

**Carteret County, North Carolina**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2017**

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**Section III. Federal Award Findings and Questioned Costs (Continued)**

**Condition and Context:** Of the one-hundred and twelve cases sampled, we noted twenty-seven cases with thirty-three instances in which verified liquid assets were not calculated or input correctly in NCFAST and/or there was insufficient liquid asset verification present in case file.

**Effect:** Potential for vital information to be neglected, inadequate understanding of case specifics and ineligible applicant to receive benefits.

**Cause:** Administrative oversight.

**Identification of a Repeat Finding:** This is a repeat finding from the immediate previous audit, 2016-007 and 2016-008 which have been combined for current year.

**Questioned costs:** None noted.

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of applicable program requirements. Additionally, we recommend increasing state required 2<sup>nd</sup> party reviews of case files by supervisors to ensure program requirements have been met.

**Views of Responsible Management:** See management's corrective action plan.

**Significant Deficiency and Noncompliance – MA Eligibility  
Finding: 2017-003**

**Criteria:** Per the NC DHHS, DMA eligibility requirements, the County DSS is responsible for utilizing the proper method and related documentation in determining a client's eligibility.

**Condition and Context:** Of the one-hundred and twelve case files sampled, we noted twenty-four cases with thirty-three instances in which verified personal property/vehicle assets were not calculated or input correctly in NCFAST and/or there was insufficient personal property/vehicle asset verification present in case file.

**Effect:** Potential exists for an individual to incorrectly be deemed eligible or ineligible for program benefits.

**Cause:** Administrative oversight.

**Questioned costs:** None noted.

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of applicable program requirements. Additionally, we recommend increasing state required 2<sup>nd</sup> party reviews of case files by supervisors to ensure program requirements have been met.

**Views of Responsible Management:** See management's corrective action plan.

**Carteret County, North Carolina**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2017**

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**Section III. Federal Award Findings and Questioned Costs (Continued)**

**Significant Deficiency and Noncompliance – MA Eligibility**

**Finding: 2017-004**

**Criteria:** Per the NC DHHS, DMA eligibility requirements, the County DSS is responsible for utilizing the proper method and related documentation in determining a client's eligibility.

**Condition and Context:** Of the one-hundred and twelve case files sampled, we noted fifty cases with seventy-two instances in which there was no documentation/verification that Register of Deeds checks were completed present in the case file and/or real property assets were not calculated or input correctly in NCFAST.

**Effect:** Potential exists for an individual to incorrectly be deemed eligible or ineligible for program benefits.

**Cause:** Administrative oversight.

**Questioned Costs:** None noted.

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of applicable program requirements. Additionally, we recommend increasing state required 2<sup>nd</sup> party reviews of case files by supervisors to ensure program requirements have been met.

**Views of Responsible Management:** See management's corrective action plan.

**Significant Deficiency and Noncompliance – MA Eligibility**

**Finding: 2017-005**

**Criteria:** Per the NC DHHS, DMA eligibility requirements, the County DSS is responsible for utilizing the proper method and related documentation in determining a client's eligibility.

**Condition and Context:** Of the one-hundred and twelve case files sampled, we noted thirty-six cases with forty-nine instances in which the budget was not calculated and input in NCFAST correctly due to either: in-correct countable resources, in-correct countable earned/unearned income, and/or insufficient verification or documentation of countable income present in case file.

**Effect:** Potential exists for an individual to incorrectly be deemed eligible or ineligible for program benefits.

**Cause:** Administrative oversight.

**Identification of a Repeat Finding:** This is a repeat finding from the immediate previous audit, 2016-003 and 2016-005 which have been combined for current year.

**Questioned costs:** None noted.

**Carteret County, North Carolina**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2017**

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**Section III. Federal Award Findings and Questioned Costs (Continued)**

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of applicable program requirements. Additionally, we recommend increasing state required 2<sup>nd</sup> party reviews of case files by supervisors to ensure program requirements have been met.

**Views of Responsible Management:** See management's corrective action plan.

**Significant Deficiency and Noncompliance – MA Eligibility  
Finding: 2017-006**

**Criteria:** Per the NC DHHS, DMA eligibility requirements, the County DSS is responsible for utilizing the proper method and related documentation in determining a client's eligibility.

**Condition and Context:** Of the one-hundred and twelve case files sampled, we noted one case in which the case file did not include evidence of two acceptable documents to establish state residency as required. A signed DMA-5153 (NC Residency Applicant Declaration) was requested and received during testing to establish state residency.

**Effect:** Potential exists for an individual to incorrectly be deemed eligible or ineligible for program benefits.

**Cause:** Administrative oversight.

**Questioned costs:** None noted.

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of applicable program requirements. Additionally, we recommend increasing state required 2<sup>nd</sup> party reviews of case files by supervisors to ensure program requirements have been met.

**Views of Responsible Management:** See management's corrective action plan.

**Significant Deficiency and Noncompliance – MA Eligibility  
Finding: 2016-007**

**Criteria:** Per the NC DHHS, DMA eligibility requirements, the County DSS is responsible for utilizing the proper method and related documentation in determining a client's eligibility.

**Condition and Context:** Of the one-hundred and twelve case files sampled, we noted two cases with two instances in which there was no verification/documentation of client's Medicare enrollment required for the applicable program that was present in the case file.

**Effect:** Potential exists for an individual to incorrectly be deemed eligible or ineligible for program benefits.

**Cause:** Administrative oversight.

**Carteret County, North Carolina**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2017**

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**Section III. Federal Award Findings and Questioned Costs (Continued)**

**Questioned costs:** None noted.

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of applicable program requirements. Additionally, we recommend increasing state required 2<sup>nd</sup> party reviews of case files by supervisors to ensure program requirements have been met.

**Views of Responsible Management:** See management's corrective action plan.

**Significant Deficiency and Noncompliance – MA Eligibility  
Finding: 2017-008**

**Criteria:** Per the NC DHHS, DMA eligibility requirements, the County DSS is responsible for utilizing the proper method and related documentation in determining a client's eligibility.

**Condition and Context:** Of the one-hundred and twelve case files sampled, we noted one case in which countable resources exceeded the allowable limit for the applicable program. This resulted in 6 months (during audit period of 07/01/2016-06/30/2017) of eligibility for an in-eligible client.

**Effect:** Potential for ineligible applicant to receive benefits.

**Cause:** Administrative oversight.

**Questioned costs:** Known federal and state questioned costs of \$1,868 for the six-month period of 7/1/2016 to 12/31/2016.

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of applicable program requirements. Additionally, we recommend increasing state required 2<sup>nd</sup> party reviews of case files by supervisors to ensure program requirements have been met.

**Views of Responsible Management:** See management's corrective action plan.

**Significant Deficiency and Noncompliance – MA Eligibility  
Finding: 2017-009**

**Criteria:** Per the NC DHHS, DMA eligibility requirements, the County DSS is responsible for utilizing the proper method and related documentation in determining a client's eligibility.

**Condition and Context:** Of the one-hundred and twelve case files sampled, we noted one case in which the case was not terminated and "End-Dated" timely upon notice of the client's date of death. This resulted in 4 months (during audit period of 07/01/2016 - 06/30/2017) of eligibility in system for a deceased client.

**Effect:** Potential for ineligible applicant to receive benefits.

**Cause:** Administrative oversight.

**Carteret County, North Carolina**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2017**

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**Section III. Federal Award Findings and Questioned Costs (Continued)**

**Questioned costs:** None noted for the four-month period of 7/1/2016 to 10/31/2016.

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of applicable program requirements. Additionally, we recommend increasing state required 2<sup>nd</sup> party reviews of case files by supervisors to ensure program requirements have been met.

**Views of Responsible Management:** See management's corrective action plan.

**Significant Deficiency and Noncompliance – MA Eligibility  
Finding: 2017-010**

**Criteria:** Per the NC DHHS, DMA eligibility requirements, the County DSS is responsible for utilizing the proper method and related documentation in determining a client's eligibility.

**Condition and Context:** Of the one-hundred and twelve case files sampled, we noted one case in which the client's date of death was not input in NCFAST, however, the case was properly terminated and "End-Dated" timely.

**Effect:** Potential for ineligible applicant to receive benefits.

**Cause:** Administrative oversight.

**Questioned costs:** None noted.

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of applicable program requirements. Additionally, we recommend increasing state required 2<sup>nd</sup> party reviews of case files by supervisors to ensure program requirements have been met.

**Views of Responsible Management:** See management's corrective action plan.

**Significant Deficiency and Noncompliance – MA Eligibility  
Finding: 2017-011**

**Criteria:** Per the NC DHHS, DMA eligibility requirements, the County DSS is responsible for utilizing the proper method and related documentation in determining a client's eligibility.

**Condition and Context:** Of the one-hundred and twelve case files sampled, we noted one case in which the case was not terminated and "End-Dated" timely for failure to pursue an appeal when SSA denied a disability determination. This resulted in 1 month (during audit period of 07/01/2016 - 06/30/2017) of eligibility for an in-eligible client.

**Effect:** Potential for ineligible applicant to receive benefits.

**Cause:** Administrative oversight.

**Carteret County, North Carolina**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2017**

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**Section III. Federal Award Findings and Questioned Costs (Continued)**

**Questioned costs:** Known federal and state questioned costs of \$808 for the one-month period of July 2016.

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of applicable program requirements. Additionally, we recommend increasing state required 2<sup>nd</sup> party reviews of case files by supervisors to ensure program requirements have been met.

**Views of Responsible Management:** See management's corrective action plan.

**Significant Deficiency and Noncompliance – MA Eligibility**

**Finding: 2017-012**

**Criteria:** Per the NC DHHS, DMA eligibility requirements, the County DSS is responsible for utilizing the proper method and related documentation in determining a client's eligibility.

**Condition and Context:** Of the one-hundred and twelve case files sampled, we noted one case in which there was no documentation regarding reason "Forced Eligibility" was used in NCFAST.

**Effect:** Potential for ineligible applicant to receive benefits.

**Cause:** Administrative oversight.

**Questioned costs:** None noted.

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of applicable program requirements. Additionally, we recommend increasing state required 2<sup>nd</sup> party reviews of case files by supervisors to ensure program requirements have been met.

**Views of Responsible Management:** See management's corrective action plan.

**Significant Deficiency and Noncompliance – MA Eligibility**

**Finding: 2017-013**

**Criteria:** Per the NC DHHS, DMA eligibility requirements, the County DSS is responsible for utilizing the proper method and related documentation in determining a client's eligibility.

**Condition and Context:** Of the one-hundred and twelve case files sampled, we noted one case in which a client requested a transfer of benefits from another county to Carteret County upon physical relocation, however, the case was not properly transferred by the originating county and not properly followed up by receiving county as requested. This resulted in the originating county potentially paying seven months (July 1, 2016 to January 31, 2017) of eligible benefits when they should have been paid by Carteret County.

(Continued)

**Carteret County, North Carolina**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2017**

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**Section III. Federal Award Findings and Questioned Costs (Continued)**

**Effect:** Potential exists for an individual to incorrectly be deemed eligible or ineligible for program benefits.

**Cause:** Administrative oversight.

**Questioned costs:** None noted.

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of applicable program requirements. Additionally, we recommend increasing state required 2<sup>nd</sup> party reviews of case files by supervisors to ensure program requirements have been met.

**Views of Responsible Management:** See management's corrective action plan.

**Significant Deficiency and Noncompliance – MA Eligibility**

**Finding: 2017-014**

**Criteria:** Per the NC DHHS, DMA eligibility requirements, the County DSS is responsible for utilizing the proper method and related documentation in determining a client's eligibility.

**Condition and Context:** Of the one-hundred and twelve case files sampled, we noted one case in which the case was not terminated and "End-Dated" timely for failure to pursue an appeal when SSA denied a disability determination. This resulted in 1 month (during audit period of 07/01/2016 - 06/30/2016) of eligibility for an in-eligible client.

**Effect:** Potential for ineligible applicant to receive benefits.

**Cause:** Administrative oversight.

**Questioned costs:** Known federal and state questioned costs of \$710 for the one-month period of August 2016.

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of applicable program requirements. Additionally, we recommend increasing state required 2<sup>nd</sup> party reviews of case files by supervisors to ensure program requirements have been met.

**Views of Responsible Management:** See management's corrective action plan.

**Significant Deficiency and Noncompliance – MA Eligibility**

**Finding: 2017-015**

**Criteria:** Per the NC DHHS, DMA eligibility requirements, the County DSS is responsible for utilizing the proper method and related documentation in determining a client's eligibility.

**Carteret County, North Carolina**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2017**

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**Section III. Federal Award Findings and Questioned Costs (Continued)**

**Condition and Context:** Of the one-hundred and twelve case files sampled, we noted one case in which the case was not terminated and "End-Dated" timely when the agency was notified that client's countable SSA income had increased during the certification period and exceeded the allowable limit for all programs. This resulted in 1 month (during audit period of 07/01/2016 - 06/30/2016) of eligibility for an ineligible client.

**Effect:** Potential for ineligible applicant to receive benefits.

**Cause:** Administrative oversight.

**Questioned costs:** Known federal and state questioned costs of \$96 for the one-month period of November 2016.

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of applicable program requirements. Additionally, we recommend increasing state required 2<sup>nd</sup> party reviews of case files by supervisors to ensure program requirements have been met.

**Views of Responsible Management:** See management's corrective action plan.

**Section IV. State Award Findings and Questioned Costs**

**Department of Social Services**

DSS Crosscutting Requirements – DSS 1571, Part I  
CFDA #: Not applicable

**Significant Deficiency and Noncompliance – DSS-1571, Part I  
Finding: 2017-016**

**Criteria:** Per the NC DHHS requirements, the County DSS is responsible for maintaining day sheets that 1) account for 100% of employees' time as required in the DSS Services Information System User's Manual 2) contain program codes and activity codes summarized correctly 3) with day sheet entries that are supported by documentation in case record files and 4) where day sheet summaries are transferred to the DSS-1571 accurately to an eligible fund source.

**Condition and Context:** Of the twenty-eight day sheets sampled, we noted two instances in which client files indicated a caseworker had performed work in a particular case file for a specific program and the corresponding day sheet did not indicate that the employee had coded any time to that particular program.

**Effect:** Eligible fund source reimbursements could be disallowed.

**Cause:** Administrative oversight.

**Carteret County, North Carolina**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2017**

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**Section IV. State Award Findings and Questioned Costs (Continued)**

**Identification of a Repeat Finding:** This is a repeat finding from the immediate previous audit, 2016-009.

**Questioned costs:** None noted.

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of program time recording requirements.

**Views of Responsible Management:** See management's corrective action plan.

**Finding: 2017-017**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-001

**Finding: 2017-018**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-002

**Finding: 2017-019**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-003

**Finding: 2016-020**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-004

**Finding: 2017-021**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-005

**Finding: 2017-022**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-006

**Finding: 2017-023**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-007

**Finding: 2017-024**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-008

**Finding: 2017-025**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-009

**Carteret County, North Carolina**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2017**

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**Section IV. State Award Findings and Questioned Costs (Continued)**

**Finding: 2017-026**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-010

**Finding: 2017-027**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-011

**Finding: 2017-028**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-012

**Finding: 2017-029**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-013

**Finding: 2017-030**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-014

**Finding: 2017-031**

See Section III. Federal Award Findings and Questioned Costs, Finding 2017-015

# CARTERET COUNTY FINANCE

Denise H. Meshaw, CPA  
Assistant County Manager  
Finance Department



Tel: (252) 728-8410  
Fax: (252) 728-8424  
deem@carteretcountync.gov  
www.carteretcountync.gov

## **Corrective Action Plan For the Fiscal Year Ended June 30, 2017**

### **Section II. Financial Statement Findings**

No findings reported.

### **Section III. Federal Award Findings and Questioned Costs**

**Name of contact person:** Dee Meshaw, Assistant County Manager Finance

**Proposed Completion Date:** November 03, 2017

#### **Finding: 2017-001**

**Corrective Action:** Training was provided to staff on August 14, 2017 (after the state audit) and required NCFAST Learning Gateway training. State monthly requirement for 2<sup>nd</sup> partying cases is 20, we have increased our monthly 2<sup>nd</sup> partying to 25, as well as, planning monthly training sessions.

#### **Finding: 2017-002**

**Corrective Action:** Training was provided to staff on August 14, 2017 (after the state audit) and required NCFAST Learning Gateway training. State monthly requirement for 2<sup>nd</sup> partying cases is 20, we have increased our monthly 2<sup>nd</sup> partying to 25, as well as, planning monthly training sessions.

#### **Finding: 2017-003**

**Corrective Action:** Caseworkers have been instructed to correct the issue with all reviews and apply policy to all applications taken. Training was provided to staff on August 14, 2017. Personal property checks and vehicle verifications have been run and agency records updated. State monthly requirement for 2<sup>nd</sup> partying cases is 20, we have increased our monthly 2<sup>nd</sup> partying to 25, as well as, planning monthly training sessions.

#### **Finding: 2017-004**

**Corrective Action:** Staff was trained on August 14, 2017 after state audit regarding Property Checks and documenting negative/positive results. Case specific caseworkers were notified of cases without the property searches. The negative results from property searches were documented in the agency record. State monthly requirement for 2<sup>nd</sup> partying cases is 20, we have increased our monthly 2<sup>nd</sup> partying to 25, as well as, planning monthly training sessions.

(Continued)

**Corrective Action Plan (Continued)  
For the Fiscal Year Ended June 30, 2017**

**Section III. Federal Award Findings and Questioned Costs (Continued)**

**Finding: 2017-005**

**Corrective Action:** Staff training was conducted on August 14, 2017 regarding budgeting training and hard copies of budgets being placed in file. Caseworkers were instructed to provide documentation indicating income used and for what period of time. State monthly requirement for 2<sup>nd</sup> partying cases is 20, we have increased our monthly 2<sup>nd</sup> partying to 25, as well as, planning monthly training sessions.

**Finding: 2017-006**

**Corrective Action:** Following state audit, all audit negative findings were discussed with staff during unit meeting on August 14, 2017. The specific case was corrected, residency verification provided, and the case was reviewed with the caseworker. State monthly requirement for 2<sup>nd</sup> partying cases is 20, we have increased our monthly 2<sup>nd</sup> partying to 25, as well as, planning monthly training sessions.

**Finding: 2017-007**

**Corrective Action:** Cases have been researched since audit and updated regarding Medicare eligibility as verified via OVS/OLV. Following state audit, all audit negative findings were discussed with staff during unit meeting on August 14, 2017. State monthly requirement for 2<sup>nd</sup> partying cases is 20, we have increased our monthly 2<sup>nd</sup> partying to 25, as well as, planning monthly training sessions.

**Finding: 2017-008**

**Corrective Action:** Identified cases have been corrected and caseworker transferred case to the appropriate program after notice was sent. On August 14, 2017, following the state audit all audit negative findings were discussed with staff during unit meeting. State monthly requirement for 2<sup>nd</sup> partying cases is 20, we have increased our monthly 2<sup>nd</sup> partying to 25, as well as, planning monthly training sessions.

**Finding: 2017-009**

**Corrective Action:** Identified cases have been corrected and workers have been instructed by supervisor to make sure that all timely terminations are entered into the NCFAST system timely and certification period updated to correspond with termination date of case in NCFAST. On August 14, 2017, following the state audit all audit negative findings were discussed with staff during unit meeting. State monthly requirement for 2<sup>nd</sup> partying cases is 20, we have increased our monthly 2<sup>nd</sup> partying to 25, as well as, planning monthly training sessions.

**Finding: 2017-010**

**Corrective Action:** Identified case has been corrected and caseworkers have been instructed by supervisor to ensure that all information in case records match information entered into NCFAST. On August 14, 2017, following the state audit all audit negative findings were discussed with staff during unit meeting. State monthly requirement for 2<sup>nd</sup> partying cases is 20, we have increased our monthly 2<sup>nd</sup> partying to 25, as well as, planning monthly training sessions.

(Continued)

**Corrective Action Plan (Continued)  
For the Fiscal Year Ended June 30, 2017**

**Section III. Federal Award Findings and Questioned Costs (Continued)**

**Finding: 2017-011**

**Corrective Action:** On August 14, 2017, following the state audit all audit negative findings were discussed with staff during unit meeting. Supervisor provided SSA appeal policy information to caseworkers and instructed caseworkers to flag identified cases for appeal request verification. State monthly requirement for 2<sup>nd</sup> partying cases is 20, we have increased our monthly 2<sup>nd</sup> partying to 25, as well as, planning monthly training sessions.

**Finding: 2017-012**

**Corrective Action:** On August 14, 2017, following the state audit all audit negative findings were discussed with staff during unit meeting. Caseworkers were instructed to document reason for use of approved "Forced Eligibility". State monthly requirement for 2<sup>nd</sup> partying cases is 20, we have increased our monthly 2<sup>nd</sup> partying to 25, as well as, planning monthly training sessions.

**Finding: 2017-013**

**Corrective Action:** Identified cases have been corrected and caseworkers have been instructed by supervisor to ensure all information in case records match information entered into NCFAST, and that all improperly transferred cases be brought to the attention of the Supervisor prior to accepting and manually transferring cases to Carteret County. On August 14, 2017, following the state audit all audit negative findings were discussed with staff during unit meeting. State monthly requirement for 2<sup>nd</sup> partying cases is 20, we have increased our monthly 2<sup>nd</sup> partying to 25, as well as, planning monthly training sessions.

**Finding: 2017-014**

**Corrective Action:** On August 14, 2017, following the state audit all audit negative findings were discussed with staff during unit meeting. Supervisor provided SSA appeal policy information to caseworkers and instructed workers to flag identified cases for appeal request verification. State monthly requirement for 2<sup>nd</sup> partying cases is 20, we have increased our monthly 2<sup>nd</sup> partying to 25, as well as, planning monthly training sessions.

**Finding: 2017-015**

**Corrective Action:** Identified cases have been corrected and caseworkers have been instructed by supervisor to ensure all information in case records match information entered into NCFAST. On August 14, 2017, following the state audit all audit negative findings were discussed with staff during unit meeting. State monthly requirement for 2<sup>nd</sup> partying cases is 20, we have increased our monthly 2<sup>nd</sup> partying to 25, as well as, planning monthly training sessions.

(Continued)

**Corrective Action Plan (Continued)  
For the Fiscal Year Ended June 30, 2017**

**Section IV. State Award Findings and Questioned Costs (Continued)**

**Name of contact person:**      **Dee Meshaw, Assistant County Manager Finance**

**Proposed Completion Date:**    **November 03, 2017**

**Finding: 2017-016**

**Corrective Action:** Economic Service Line Staff have been instructed and advised of the importance of accurate day sheet entries. Day Sheets are checked by Economic Supervisors for accuracy at the time of Second Party Reviews. State monthly requirement for 2<sup>nd</sup> partying cases is 20, we have increased our monthly 2<sup>nd</sup> partying to 25, as well as, planning monthly training sessions.

  
\_\_\_\_\_  
**Dee Meshaw**  
**Assistant County Manager Finance**

## Carteret County, North Carolina

### Summary Schedule of Prior Year Audit Findings For the Fiscal Year Ended June 30, 2017

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#### **Finding: 2016-001 (MA Eligibility)**

**Status:** Carteret County has implemented the NC DHHS, Division of Medical Assistance corrective action plan to ensure quality standards are in place for the Medicaid programs and will continue going forward. Implementation of plan includes conducting a quarterly minimum (State assigned) number of 2nd party review of eligibility determinations, utilizing the state provided 2nd party worksheet; conduct and track attendance of formal Medicaid training for all new and existing Medicaid eligibility determination staff; compile the results of these second party reviews and trainings held, documented with attendance logs, on a quarterly basis and submitting to the State utilizing the State provided DMA Tracking Spreadsheet.

#### **Finding: 2016-002 (MA Eligibility)**

**Status:** Carteret County has implemented the NC DHHS, Division of Medical Assistance corrective action plan to ensure quality standards are in place for the Medicaid programs and will continue going forward. Implementation of plan includes conducting a quarterly minimum (State assigned) number of 2nd party review of eligibility determinations, utilizing the state provided 2nd party worksheet; conduct and track attendance of formal Medicaid training for all new and existing Medicaid eligibility determination staff; compile the results of these second party reviews and trainings held, documented with attendance logs, on a quarterly basis and submitting to the State utilizing the State provided DMA Tracking Spreadsheet.

#### **Finding: 2016-003 (MA Eligibility)**

**Status:** Carteret County has implemented the NC DHHS, Division of Medical Assistance corrective action plan to ensure quality standards are in place for the Medicaid programs and will continue going forward. Implementation of plan includes conducting a quarterly minimum (State assigned) number of 2nd party review of eligibility determinations, utilizing the state provided 2nd party worksheet; conduct and track attendance of formal Medicaid training for all new and existing Medicaid eligibility determination staff; compile the results of these second party reviews and trainings held, documented with attendance logs, on a quarterly basis and submitting to the State utilizing the State provided DMA Tracking Spreadsheet.

#### **Finding: 2016-004 (MA Eligibility)**

**Status:** Carteret County has implemented the NC DHHS, Division of Medical Assistance corrective action plan to ensure quality standards are in place for the Medicaid programs and will continue going forward. Implementation of plan includes conducting a quarterly minimum (State assigned) number of 2nd party review of eligibility determinations, utilizing the state provided 2nd party worksheet; conduct and track attendance of formal Medicaid training for all new and existing Medicaid eligibility determination staff; compile the results of these second party reviews and trainings held, documented with attendance logs, on a quarterly basis and submitting to the State utilizing the State provided DMA Tracking Spreadsheet.

(Continued)

**Carteret County, North Carolina**

**Summary Schedule of Prior Year Audit Findings (Continued)  
For the Fiscal Year Ended June 30, 2017**

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**Finding: 2016-005 (MA Eligibility)**

**Status:** Carteret County has implemented the NC DHHS, Division of Medical Assistance corrective action plan to ensure quality standards are in place for the Medicaid programs and will continue going forward. Implementation of plan includes conducting a quarterly minimum (State assigned) number of 2nd party review of eligibility determinations, utilizing the state provided 2nd party worksheet; conduct and track attendance of formal Medicaid training for all new and existing Medicaid eligibility determination staff; compile the results of these second party reviews and trainings held, documented with attendance logs, on a quarterly basis and submitting to the State utilizing the State provided DMA Tracking Spreadsheet.

**Finding: 2016-006 (MA Eligibility)**

**Status:** Carteret County has implemented the NC DHHS, Division of Medical Assistance corrective action plan to ensure quality standards are in place for the Medicaid programs and will continue going forward. Implementation of plan includes conducting a quarterly minimum (State assigned) number of 2nd party review of eligibility determinations, utilizing the state provided 2nd party worksheet; conduct and track attendance of formal Medicaid training for all new and existing Medicaid eligibility determination staff; compile the results of these second party reviews and trainings held, documented with attendance logs, on a quarterly basis and submitting to the State utilizing the State provided DMA Tracking Spreadsheet.

**Finding: 2016-007 (MA Eligibility)**

**Status:** Carteret County has implemented the NC DHHS, Division of Medical Assistance corrective action plan to ensure quality standards are in place for the Medicaid programs and will continue going forward. Implementation of plan includes conducting a quarterly minimum (State assigned) number of 2nd party review of eligibility determinations, utilizing the state provided 2nd party worksheet; conduct and track attendance of formal Medicaid training for all new and existing Medicaid eligibility determination staff; compile the results of these second party reviews and trainings held, documented with attendance logs, on a quarterly basis and submitting to the State utilizing the State provided DMA Tracking Spreadsheet.

**Finding: 2016-008 (MA Eligibility)**

**Status:** Carteret County has implemented the NC DHHS, Division of Medical Assistance corrective action plan to ensure quality standards are in place for the Medicaid programs and will continue going forward. Implementation of plan includes conducting a quarterly minimum (State assigned) number of 2nd party review of eligibility determinations, utilizing the state provided 2nd party worksheet; conduct and track attendance of formal Medicaid training for all new and existing Medicaid eligibility determination staff; compile the results of these second party reviews and trainings held, documented with attendance logs, on a quarterly basis and submitting to the State utilizing the State provided DMA Tracking Spreadsheet.

**Carteret County, North Carolina**

**Summary Schedule of Prior Year Audit Findings (Continued)  
For the Fiscal Year Ended June 30, 2017**

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**Finding: 2016-009 (DSS-1571, Part I)**

**Status:** Carteret County re-emphasized training related to the importance of accurate program time reporting on day sheets. Volume of errors noted in the current year (2) was significantly less than prior year (7) which is indicative of the implementation of the ongoing corrective action.

**Schedule of Expenditures of Federal and State Awards  
Year Ended June 30, 2017**

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
<b>Federal Assistance</b>					
<b>US Department of Agriculture:</b>					
<b>Food and Nutrition Service</b>					
Passed through NC Department of Agriculture:					
Administered by County Finance Department					
Soil and water conservation	10.550		\$ 22,489	\$ -	\$ 28,185
			<u>22,489</u>	<u>-</u>	<u>28,185</u>
Passed through NC Department of Health and Human Services:					
Division of Women and Children:					
Administered by County Health Department:					
Special Supplemental Nutrition Program for Women, Infants and Children	10.557		234,422	-	17,882
Benefit Payments - noncash	10.557		803,278	-	-
			<u>1,037,700</u>	<u>-</u>	<u>17,882</u>
Passed through NC Department of Health and Human Services:					
Division of Social Services:					
Administered by County Department of Social Services:					
State Administrative Matching Grants for the Food Stamp					
Food and Nutrition Services Cluster:					
Food Stamp Admin	10.561		460,248	-	460,248
Food Stamp Fraud Admin	10.561		7,830	-	7,830
Food Stamp County Incentive	10.561		-	-	-
<b>Total Food and Nutrition Services Cluster:</b>			<u>468,078</u>	<u>-</u>	<u>468,078</u>
<b>Total US Department of Agriculture</b>			<u>1,528,267</u>	<u>-</u>	<u>514,145</u>
<b>US Department of Commerce:</b>					
Passed through NC Department of Environment & Natural Resources					
Division of Water Quality					
Coastal Zone Management Awards-Minor Permit/County Aid	11.419		7,833	-	-
<b>US Department of Defense:</b>					
Office of Economic Adjustment					
Administered by County Planning & Inspections Department:					
Community Economic Adjustment Planning for Compatible Use & Joint Land Use Studies	12.610		149,260	-	-
<b>US Department of Interior:</b>					
Direct Program:					
Administered by County Finance Department:					
National Forest, Public Schools	15.225		36,276	-	-
<b>US Department of Transportation:</b>					
Passed through NC Department of Transportation:					
Administered by County CCATS Department:					
Rural Operating Assistance Including Elderly and Disabled:					
Administration Grant	20.509		166,102	10,619	31,186
Capital Grant	20.509		16,449	9,681	2,903
Elderly Individuals and Individual with Disabilities	20.513		115,575	-	115,575
<b>Total US Department of Transportation</b>			<u>298,126</u>	<u>20,300</u>	<u>149,664</u>

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)**  
**Year Ended June 30, 2017**

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
<b>US Department of Justice</b>					
<b>Bureau of Justice Assistance</b>					
Passed through NC Department of Public Safety					
Administered by Carteret County Sheriff Department					
Bulletproof Vest Partnership - 2010	16.607		\$ 3,634	\$ -	\$ 3,634
Overtime Grant	16.738	2014-DJ-BX-1148	9,984	-	-
Operation Zero Script	16.738	2015-DJ-BX-1076	19,968	-	-
Operation Pills Can Kill	16.738	2014-DJ-BX-1148	38,301	-	12,767
			<b>71,887</b>	<b>-</b>	<b>16,401</b>
Administered by County Rape Crisis Department					
Basic SA Services	16.575		54,061	-	13,515
2015 VOCA - Special Priority	16.575		5,723	-	1,431
Bi-Lingual Victim Advocate/ Interpreter	16.575		59,202	-	14,801
			<b>118,986</b>	<b>-</b>	<b>29,747</b>
<b>Total US Department of Justice</b>			<b>190,873</b>	<b>-</b>	<b>46,148</b>
<b>US Department of Health and Human Services:</b>					
Administration on Aging					
Passed through NC Department of Health and Human Services:					
NC Division of Aging and Adult Services, Eastern Carolina					
Council - Aging Cluster:					
HCCBG In-Home Support Services Title III	93.044		80,582	4,740	9,480
HCCBG Preventive Health	93.043		16,258	956	1,913
HCCBG - Access Title III B	93.044		2,735	161	322
HCCBG Congregate Nutrition Title III C1	93.045		72,973	4,293	8,585
HCCBG Home Delivered Meals Title III C2	93.045		29,555	1,739	3,477
NSIP-Nutrition	93.053		15,026	-	-
<b>Total Aging Cluster</b>			<b>217,129</b>	<b>11,889</b>	<b>23,777</b>
Passed through NC Department of Health and Human Services:					
NC Division of Aging and Adult Services, Eastern Carolina Council:					
HCCBG In-Home Support Services SSBG	93.667		26,964	770	3,082
Administration for Children and Families					
Passed through NC Department of Health and Human Services:					
Division of Social Services:					
Administered by Carteret County Department of Social Services:					
Temporary Assistance for Needy Families (TANF):					
TANF Benefit Payments & Penalties	93.558		232,595	-	-
Work First Administration	93.558		142,068	-	139,597
Work First Service	93.558		653,923	-	511,105
<b>Total TANF</b>			<b>1,028,586</b>	<b>-</b>	<b>650,702</b>
Family Preservation	93.556		33,549	-	-
AFDC Payments & Penalties	93.560		(271)	(74)	(74)

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)**  
**Year Ended June 30, 2017**

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
Passed through NC Department of Health and Human Services:					
Administered by Carteret County Department of Social Services:					
IV-D Administration	93.563		\$ 483,902	\$ -	\$ 249,282
IV-D Offset Fees ESC	93.563		59	2	28
IV-E MAX Level III	93.658		1,466		734
IV-D Offset Fees Federal	93.563		1,688	-	870
			<u>487,115</u>	<u>2</u>	<u>250,914</u>
Passed through NC Department of Health and Human Services:					
Administered by Carteret County Department of Social Services:					
Low Income Home Energy Assistance:					
Benefit payments	93.568		222,577	-	-
Administration	93.568		24,078	-	-
Crisis Intervention payments	93.568		117,597	-	2,598
			<u>364,252</u>	<u>-</u>	<u>-</u>
Passed through NC Department of Health and Human Services:					
Administered by Carteret County Department of Social Services:					
Division of Child Development					
Subsidized Child Care					
Child Care Development Fund Cluster					
Division of Social Services					
Child Care Development Fund-Administration	93.596		73,598	-	-
Division of Child Development					
Child Care & Development Fund-Discretionary	93.575		669,881	-	-
Child Care & Development Fund-Mandatory	93.596		255,981	-	-
Child Care & Development Fund-Match	93.596		121,137	21,218	-
Total Child Care Fund Cluster			<u>1,120,597</u>	<u>21,218</u>	<u>-</u>
Temporary Assistance for Needy Families	93.558		215,950	-	-
Foster Care Title IV-E	93.658		20,541	10,245	-
Smart Start			-	166	-
State Appropriations			-	145,887	-
TANF- MOE			-	149,765	-
<b>Total Subsidized Child Care Cluster</b>			<u>1,357,088</u>	<u>327,281</u>	<u>-</u>
Passed through NC Department of Health and Human Services:					
Division of Social Services:					
Administered by County Department of Social Services:					
Child Welfare Services:					
Permanency Planning:					
Special	93.645		15,103	-	5,034
Foster Care and Adoption Cluster:					
Title IV-E Foster Care:					
IV E CPS	93.658		42,816	31,337	11,479
IV-E Optional Adopt TRN 50%	93.659		9,628	-	9,628
IV-E Family Foster Care MAX	93.658		1,735	-	861
Foster Care payments	93.658		118,723	30,210	28,860
IV-E Foster Care /OFF TRN	93.658		242,668	-	242,688
IV-E Foster Care TRN	93.658		3,115	-	1,038
IV-E Foster Care in Excess	93.658		71,221	18,724	16,741
IV-E Admin County Paid to CCI	93.658		34,017	17,009	17,009
IV-E Adoption Training	93.659		1,132	-	377
IV-E Adoption / Off Trn	93.659		15,954	-	15,954
IV-E adoption subsidy and vendor	93.659		35,971	9,279	9,279
IV-E Adopt & vendor & GUA	N/A		472,262	118,144	118,144
Foster Care	N/A		34,804	-	62,467
<b>Total Foster Care and Adoption Cluster</b>			<u>1,084,046</u>	<u>224,703</u>	<u>534,525</u>

**Schedule of Expenditures of Federal and State Awards (Continued)**  
**Year Ended June 30, 2017**

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
Passed through NC Department of Health and Human Services:					
Administered by County Department of Social Services:					
Social Services Block Grant:					
Family Planning:					
In- home services	93.667		\$ 14,591	\$ -	\$ 2,084
In-home Services - SSBG other services	93.667		184,420	15,054	66,491
CPS TANF to SSBG	93.667		49,803	-	-
			<u>248,814</u>	<u>15,054</u>	<u>68,575</u>
Passed through NC Department of Health and Human Services:					
Administered by County Department of Social Services:					
Independent Living Transitional	93.674		3,154	-	-
Links	93.674		8,995	2,249	-
			<u>12,149</u>	<u>2,249</u>	<u>-</u>
Health Care Financing Administration					
Passed through NC Department of Health and Human Services:					
Division of Medical Assistance:					
Administered by Carteret County DSS:					
Medical Assistance Program					
Health Choice Claim Expenditures	93.767		1,485,965	4,775	-
MA Expansion (MAC)	93.778		128,476	-	128,476
ADT CR HM CS Mgt/Spec	93.778		14,387	6,115	8,272
Benefit payments	93.778		48,015,304	25,579,918	-
Transportation Service	93.778		10,553	5,246	-
State County Special Assistance	93.778		33,644	-	11,364
Division of Social Services					
Administered by Carteret County DSS:					
Medical Assistance Administration	93.778		1,332,828	-	444,767
Transportation Administration	93.778		132,719	-	132,719
			<u>51,153,876</u>	<u>25,596,054</u>	<u>725,598</u>
Division of Social Services					
Administered by Carteret County DSS:					
State Children's Insurance Program - NC Health Choice	93.767		39,776	58	50
			<u>39,776</u>	<u>58</u>	<u>50</u>
Centers for Disease Control and Prevention					
Passed through NC Department of Health and Human Services:					
Centers for Medicare and Medicaid Services					
Division of Medical Assistance					
Medical Assistance Program - FY 13 Cost Settlement	93.778		33,374	-	-
			<u>33,374</u>	<u>-</u>	<u>-</u>
Administered by Carteret County Health Department					
Preparedness (PHEP) Aligned Cooperative Agreements & PHEP Ebola	93.074		53,842	-	8,366
North Carolina's Tuberculosis Elimination and Laboratory Project	93.116		50	-	-
Prevent Disease, Disability and Death From Vaccine Prevention	93.268		6,136	-	-
Preventive Health & Human Services Block Grant funded solely with Prevention & Public Health Funds (PPHF)	93.758		15,564	-	3,392
Prescription Drug Overdose (PDO) Prevention	93.136		9,000	-	2,559
Zika Virus Mosquito Control	93.323		8,899	-	5,295
Prevent Disease, Disability & Death From Vaccine Prevention	93.539		8,688	-	66,823
Cancer Prevention and Control	93.752		10,752	-	16,187
			<u>112,931</u>	<u>-</u>	<u>102,622</u>
Health Resources and Services Administration					
Passed through NC Department of Health and Human Services:					
Division of Public Health:					
Administered by Carteret County Health Department					
Preventative Health Services Block Grant - HIV/STD Grant	93.758		9,916	-	129,451
Maternal & Child Health Services Block Grant	93.994		42,172	31,633	485,251
			<u>52,088</u>	<u>31,633</u>	<u>614,702</u>

**Schedule of Expenditures of Federal and State Awards (Continued)  
Year Ended June 30, 2017**

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
Office of Population Affairs Passed through NC Department of Health and Human Services: Office of Population Affairs Family Planning Service	93.217		\$ 108,381	\$ -	\$ 222,454
Administration for Community Living Passed through NC Department of Insurance Administered by Carteret County Aging Medicare Improvements for Patients and Providers Act "MIPPA" Seniors' Health Insurance Information Program	93.071 93.324	14AANCMSHI	3,114 5,570 8,684	-	-
<b>Total US Department of Health and Human Services</b>			<b>56,383,634</b>	<b>26,209,619</b>	<b>3,201,961</b>
<b>US Department of Housing &amp; Urban Development</b> Passed through NC Department of Commerce Division of Community Assistance Administered by Carteret County Planning Department  2012 CDBG SSH Program	14.228		55,140	-	-
<b>Total US Department of Housing &amp; Urban Development</b>			<b>55,140</b>	<b>-</b>	<b>-</b>
<b>US Department of Homeland Security</b> Passed through NC Department of Public Safety Division of Emergency Management Administered by Carteret County Emergency Management Department  Emergency Management Performance Grant Program "EMPG" 2012 HMGP Program FEMA - Disaster Grant - Public Assistance	97.042 97.039 97.036	EMA-2016-EP- 00002-S01	38,584 339,917 56,200 434,701	-	-
<b>Total US Department of Homeland Security</b>			<b>434,701</b>	<b>-</b>	<b>-</b>
<b>State Assistance</b>					
<b>NC Department of Health and Human Services:</b>					
Division of Social Services:					
Administered by County Department of Social Services:					
Energy Assistance, Private Grants			-	10,429	-
County Funded Programs			-	-	1,444,949
Non-Allocating County Cost			-	-	273,582
St Child Welfare/ CPS/ CS LD			-	41,554	-
DCD Smart Start			-	-	-
SAA/SAD HB 1030			-	17,629	14,671
Extended FC/MAC Non IV-E			-	3,436	-
Work First Non Reimbursable			-	-	95,981
AFDC Incent / Prog Integrity			-	981	-
CWS Adopt Subsidy & Vendor			-	206,528	65,068
SC/SA Certain Disabled PY			-	(1)	(1)
SC/SA Domiciliary Care payment			-	332,922	332,922
SFHF Maximization			-	25,462	25,462
State Foster Home			-	43,224	43,224
			-	682,164	2,295,858

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)**  
**Year Ended June 30, 2017**

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
Division of Aging and Adult Services:					
Passed through Eastern Carolina Council of Government					
Administered by the County Department of Social Services					
In-house Services 90% State Funds:					
Senior Center :					
HCCBG - Access			\$ -	\$ 1,857	\$ 206
HCCBG - In Home Support			-	188,619	20,958
HCCBG - Home Delivered Meals			-	10,510	1,168
			-	200,986	22,332
Division of Public Health					
Administered by the County Health Department					
Other Receipts/ State Supported Expenditures					
Food and Lodging Fees			-	20,631	-
General Aid to County			-	80,139	-
Communicable Disease			-	1,756	-
Breast and Cervical Cancer Program			-	14,748	-
Child Health			-	1,841	-
Maternal Health (HMHC)			-	7,757	-
Women's Health Service Fund			-	3,496	-
HIV/STD State			-	100	-
HIV/STD SSBG Aid			-	400	-
Tuberculosis			-	10,964	-
Zika Virus Mosquito Control			-	19,722	-
School Nurse Funding Initiative			-	44,725	-
			-	206,279	-
<b>Total NC Department of Health and Human Services</b>			-	<b>1,089,429</b>	<b>2,318,190</b>
NC Department of Environment and Natural Resources:					
Natural Resources Division:					
Passed through County Finance Office:					
White Goods Disposal			-	27,457	-
Scrap Tire Disposal			-	93,488	-
<b>Total NC Department of Environment and Natural Resources</b>			-	<b>120,945</b>	-

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)  
Year Ended June 30, 2017**

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
<b>NC Department of Public Safety:</b>					
Division of Emergency Management					
Administered by the County Emergency Services Department					
Tier II Universal Grant			\$ -	\$ 683	\$ -
Administered by County Finance Department:					
Services for Court Referrals					
Boys and Girls Club program			-	53,515	-
Easter Seals Home Based Services - Building Bridges			-	46,489	44,744
Juvenile Crime Prevention			-	5,331	348
Teen Court			-	53,746	-
			-	159,081	45,092
<b>Total NC Department of Public Safety</b>			-	159,764	45,092
<b>NC Department of Military and Veteran Affairs</b>					
Office of Fiscal Management					
Administered by the County Veterans Services					
Veteran Services			-	2,130	298,753
<b>Total NC Department Military and Veteran Affairs</b>			-	2,130	298,753
<b>NC Department of Administration:</b>					
Division of NC-CFW					
Administered by the County Rape Crisis Department					
Sexual Assault Grant Rape Crisis			-	49,639	9,928
<b>Total NC Department of Administration</b>			-	49,639	9,928
<b>NC Department of Public Instruction:</b>					
Public School Building Capital Fund					
Administered by the County Finance Department					
Lottery Proceeds Allocation			-	600,000	-
<b>NC Department of Transportation</b>					
Administered by the Carteret County Transportation Department					
Rural Operating Assistance Program (ROAP) Cluster					
DOT ROAP Rural General Public Grant		DOT-17CL	-	96,762	
DOT ROAP Employment Grant		DOT-17CL	-	17,846	
DOT Elderly and Disabled		DOT-17CL		80,393	
<b>Total NC Department of Transportation</b>			-	195,001	-
<b>Total Federal Expenditures</b>			<u>\$ 59,084,110</u>		
<b>Total State Expenditures</b>				<u>\$ 28,446,827</u>	
<b>Total Local Expenditures</b>					<u>\$ 6,583,881</u>

See Notes to Schedule of Expenditures of Federal and State Awards.

## Carteret County, North Carolina

### Notes to Schedule of Expenditures of Federal and State Awards Year Ended June 30, 2017

#### Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (the "Schedule") includes the federal and State award activity of Carteret County, North Carolina, primary government, under programs of the federal and State government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Carteret County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Carteret County. There were no federal or state awards passed through to subrecipients for the year ended June 30, 2017.

#### Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Carteret County's indirect costs are determined by a State-approved plan contracted annually with DMG Maximus, Inc. and therefore has elected not to use the 10-Percent de minimis indirect cost rate as allowed under the Uniform Guidance.

In accordance with guidance issued by the United States Department of Agriculture (USDA), Food and Nutrition Service Division, direct benefits payments for the Supplemental Nutrition Assistance Program (SNAP), formerly the Food Stamp Program, of \$10,468,307 have not been reported as expenditures in the basic financial statements or in the Schedule.

#### Note 3. Relationship to Fund Financial Statements

Substantially all federal and State financial award programs (other than direct benefit payments - see Note 13 to the financial statements) are accounted for in the County's governmental and proprietary funds.

#### Note 4. Loans Outstanding

Carteret County has outstanding loan balances from federal and State funding sources that are not required to be presented within the Schedule because there are no continuing requirements beyond the repayment of the loan balances in accordance with loan agreement provisions. The loan funds were presented in the Schedule in the years of their expenditures.

The following is a summary of changes in the County's long-term outstanding loan balances of the USDA Water Revenue Bond and the NC Department of Environment and Natural Resources (NCDENR) Drinking Water State Revolving Fund for the fiscal year ended June 30, 2017:

	Beginning Balance June 30, 2016	Additions	Retirements	Ending Balance June 30, 2017
Revenue Bond	\$ 1,014,000	\$ -	\$ 17,000	\$ 997,000
Installment purchase obligations	1,617,224	-	171,032	1,446,192
	<u>\$ 2,631,224</u>	<u>\$ -</u>	<u>\$ 188,032</u>	<u>\$ 2,443,192</u>

#### Note 5. Cluster of Programs

The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes: Subsidized Child Care, Foster Care and Adoption.



