

Carteret County, North Carolina

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2020

Prepared by the Finance Department
Dee Meshaw, Assistant County Manager



Table of Contents

Introductory Section (Unaudited)	
Letter of Transmittal	1
List of Principal Officials	6
Organizational Chart	7
Map of Carteret County, North Carolina	8
GFOA Certificate of Achievement	9

Financial Section	
Independent Auditor's Report	13
Management's Discussion and Analysis (Unaudited)	17
Basic Financial Statements	
Government-wide financial statements:	
Statement of net position	30
Statement of activities	32
Fund financial statements:	
Governmental Funds:	
Balance sheet	34
Reconciliation of the balance sheet of governmental funds to the statement of net position	35
Statement of revenues, expenditures and changes in fund balance	36
Reconciliation of the statement of revenues, expenditures, and changes in fund balance to the statement of activities	37
Statement of revenues, expenditures and changes in fund balance – budget and actual - General Fund	38
Statement of revenues, expenditures and changes in fund balance – budget and actual - Occupancy Tax Fund	39
Proprietary Funds:	
Statement of fund net position	40
Statement of revenues, expenses and changes in fund net position	41
Statement of cash flows	42
Fiduciary Funds:	
Statement of fiduciary net position	44
Notes to financial statements	45

Required Supplementary Information (Unaudited)	
Law Enforcement Officers' Special Separation Allowance –	
Schedule of Changes in Total Pension Liability	102
Schedule of Total Pension Liability as a Percentage of Covered Payroll	103
Local Government Employees Retirement System -	
Schedule of Proportionate Share of the Net Pension Liability (Asset)	104
Schedule of County Contributions	106

Table of Contents (Continued)

Register of Deeds' Supplemental Pension Fund	
Schedule of Proportionate Share of the Net Pension Liability (Asset)	108
Schedule of County Contributions	110
Other Postemployment Benefits	
Schedule of Changes in Total OPEB Liability	112
Other Supplemental Financial Data	
Summary of Major Funds:	
General Fund:	
Schedule of revenues, expenditures and changes in fund balance – budget and actual	115
County Capital Improvement Fund:	
Schedule of revenues, expenditures and changes in fund balance – budget and actual	122
Summary of Nonmajor Governmental Funds:	
Combining balance sheet – non-major governmental fund types	125
Combining statement of revenues, expenditures and changes in fund balances – non-major governmental fund types	126
Non-major Special Revenue Funds:	
Combining balance sheet	128
Combining statement of revenues, expenditures and changes in fund balances	130
Schedule of revenues, expenditures, and changes in fund balance – budget and actual:	
Rescue Squad Fund	132
Fire District Fund	133
Emergency Telephone System Fund	134
Salter Path District Fund	135
Water Tax District Fund	136
Cares CRF Fund	137
2019 CDBG Neighborhood Revitalization Fund	138
Nonmajor Capital Project Funds:	
Combining balance sheet	140
Combining statement of revenues, expenditures and changes in fund balances	142
Schedule of revenues, expenditures and changes in fund balances – budget and actual:	
County Capital Reserve Fund	144
County Facilities / Debt Reserve Fund	145
School Special Projects Fund	146
County Construction Projects Fund	147
Carteret Community College Project Fund	148
Enterprise Fund:	
Schedule of revenues and expenditures – budget and actual (non-GAAP):	
Water Operating Fund	151
Agency Funds:	
Combining statement of changes in fiduciary net position	155
Combining statement of changes in assets and liabilities	156

Table of Contents (Continued)

Governmental Funds Capital Assets:	
Capital assets used in the operation of governmental funds:	
Comparative schedules by source	157
Schedule by function and activity	158
Schedule of changes by function and activity	160
Other Financial Information:	
Schedule of ad valorem taxes receivable	162
Analysis of current year's tax levy	163

Statistical Section (Unaudited)

Schedule 1.	Net position by component, last ten fiscal years	166
Schedule 2.	Changes in net position, last ten fiscal years	168
Schedule 3.	Fund balances, governmental funds, last ten fiscal years	172
Schedule 4.	Changes in fund balances, governmental funds, last ten fiscal years	176
Schedule 5.	Assessed value and actual value of taxable property, last ten fiscal years	178
Schedule 6.	Property tax rates, direct and overlapping governments-summary, last ten years	181
Schedule 7.	Property tax rates, direct and overlapping governments-detail, last ten years	182
Schedule 8.	Ten largest taxpayers, current year and ten years ago	187
Schedule 9.	Property tax levies and collections, last ten fiscal years	188
Schedule 10.	Ratios of outstanding debt by type, last ten fiscal years	190
Schedule 11.	Ratios of net general bonded debt outstanding, last ten fiscal years	193
Schedule 12.	Computation of legal debt margin, last ten fiscal years	194
Schedule 13.	Computation of direct and overlapping debt, governmental activities debt	196
Schedule 14.	Demographic statistics, last ten fiscal years	197
Schedule 15.	Principal employers, current year and ten years ago	198
Schedule 16.	Full-time equivalent county government employees by function, last ten years	200
Schedule 17.	Operating indicators by function, last ten years	202
Schedule 18.	Capital asset statistics by function, last ten years	204

Compliance Section

Independent Auditor's Report on:		
Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		209
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		211
Compliance for Each Major State Program; Report on Internal Control Over Compliance in Accordance with the State Single Audit Implementation Act		213
Schedule of Findings and Questioned Costs		215
Corrective Action Plan		220
Summary Schedule of Prior Audit Findings		223
Schedule of Expenditures of Federal and State Awards		224
Notes to Schedule of Expenditures of Federal and State Awards		231



Introductory Section

Letter of Transmittal

List of Principal Officials

Organizational Chart

Map of Carteret County, North Carolina

GFOA Certificate of Achievement



CARTERET COUNTY FINANCE

Denise H. Meshaw, CPA
Assistant County Manager
Finance Department



Tel: (252) 728-8410
Fax: (252) 728-0133
deem@carteretcountync.gov
www.carteretcountync.gov

February 25, 2021

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, 2020.

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, 2020 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, 2020, 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, and Trillium Health Resources.

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 \$30,000 between departments of the same fund per occurrence may be transferred by the manager; however, amounts greater than \$30,000 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: County Construction Project, Carteret Community College Construction Fund, CARES Relief Fund and 2019 CDBG Neighborhood Revitalization 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 from COVID-19. The emergency measures, restrictions, and closures mandated by North Carolina's governor on businesses, tourism, and education had a negative impact on the local economy. Before the restrictions, the County's average unemployment for the first nine months of the fiscal year was 3.97% compared to the State average 3.78% and federal average 3.67%. In April 2020, unemployment rose to 11.3%, in May decreased to 10.2%, and June decreased to 5.7%. For comparison, the state unemployment rates were 12.9%, 12.8% and 7.5%, and the federal unemployment rates were 14.7%, 13.3%, and 11.1% for the same period as the County. Carteret County annual unemployment average was 5.24% compared to 4.66% in the prior year, and those rates are slightly lower than the state's average unemployment rate of 5.58%.

The tourism industry continues to perform well with 2019 calendar year's annual economic impact of \$389.25 million, a 3.24% 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.

Marine Science

The marine science agencies in Carteret County constitute one of the nation's largest and most diverse concentration of marine related expertise and activity. There are eight major marine science agencies as follows: Duke University Marine Lab, University of North Carolina Institute of Marine Science, North Carolina State University Center for Marine Science and Technology (CMAST), the National Oceanic and Atmospheric Administration (NOAA) Center for Coastal Fisheries and Habitat Research, Carteret Community College Aquaculture and Marine Trades, NC Aquarium at Pine Knoll Shores, NC Division of Coastal Management, and NC Division of Marine Fisheries. Carteret County's eight major marine science agencies account for a total economic impact in the county of \$83 million in economic activity, \$4 million in salary and investment income, and support the employment of 1,063 Carteret residents.

Retail

Retail is recovering from COVID -19 impacts in Carteret County. Retailers in home improvements and lawn and gardening are performing well following the national trend at this time.

The following table lists the 10 largest employers in the County in 2020

Employer	Service	Employment Range
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
Lowes Home Improvements	Retail	250-499
Carteret Community College	Education	250-499
Food Lion	Retail	250-499
Bally Refrigerated Boxes Inc	Manufacturing	100-249
Town of Morehead City	Government Service	100-249
McDonalds	Food Services	100-249

Source: NC Commerce LEAD Division
2020 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 31.89% in public safety and 13.89% 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. Cultural and recreation funding increase is 94.57% from 10 years ago. The County purchased a 66 acre site to develop a recreational water access location and to preserve wetlands. This was grant funded, and accounts for a significant portion of the 94.57% increase. Environmental protection illustrates a 33.83 increase from 10 years ago. Economic development increase 624.03% from 10 years ago. In FY20, the County funded a \$29.63 million beach nourishment project that accounts for the large percentage increase.

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 taxes 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, 2021 totals \$123,569,330 with a General Fund tax rate of \$.33 per \$100 of assessed value, based on a total valuation of \$16.54 billion. This budget represents real property revaluation effective for real property as of January 1, 2020. The County's assessed value growth is 7.78% or \$1.1 billion from the FY20 budgeted assessed values. The revenue neutral tax rate per \$100 of assessed value was 30 cents. The County anticipates modest growth in its tax base going forward. For the County's operating budget for the fiscal year ending June 30, 2022, it is anticipated that the tax rate would need to be between \$.33 and \$.35 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 2021. Carteret County Board of Education and Board of Commissioners reviewed public school capital needs for building renovations and expanding school facilities. At the School System's request, the Board of Commissioners placed a \$42 million school referendum on the November 3, 2020 ballot, and it passed. In addition, the Board of Commissioners placed a .25% sales tax referendum on the November 3, 2020 ballot, and it failed. If the referendum was approved by the voters, 50% of the sales tax proceeds would have funded fund waterway maintenance and dredging, and the remaining 50% would have funded school capital and/ or retire school capital debt.

Beginning July 1, 2020, the County operates and manages the county libraries, and is no longer a member of the Carteret Craven Pamlico Regional Library System. The Board of Commissioners believe the residents of Carteret County will be better served with the libraries managed and under the County government. Public health and public safety is another area of focus in fiscal year 2021, especially due to COVID-19. The Board increased staffing and resources in the FY21 budget. The Board continues to provide funding for information technology, parks and recreation, and social services increased demands and needs. The county continues to fund park improvements, building improvements and maintenance, waterway dredging, and public schools and community college capital needs.

In fiscal year 2013, the County completed its \$3.51 million water system improvement project. In fiscal year 2020, 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, 2019. This was the eighteenth 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, 2020. 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 Meshaw

Dee H. Meshaw
Assistant County Manager

Carteret County, North Carolina

List of Principal Officials
June 30, 2020

Board of Commissioners

Bill Smith
Chairman
Newport, North Carolina

Robin Comer
Vice Chairman
Stella, North Carolina

Bob Cavanaugh
Morehead City, North Carolina

Chris Chadwick
Stacy, North Carolina

Jimmy Farrington
Emerald Isle, North Carolina

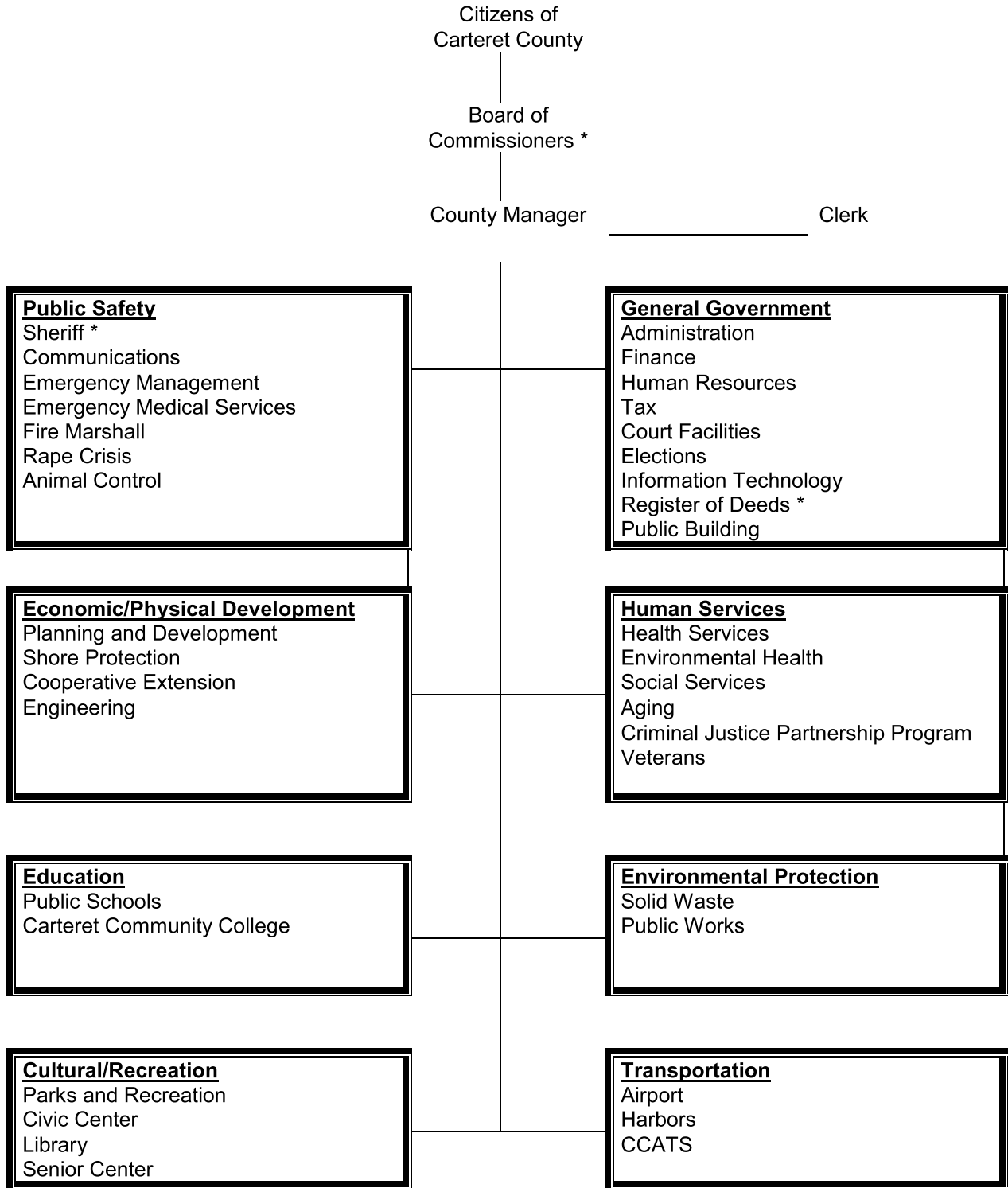
Mark Mansfield
Morehead City, North Carolina

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
Sarah Davis	Tax Administrator
Tina Purifoy	Parks and Recreation/ Civic Center Director

**Carteret County, North Carolina
Organizational Chart**



* Elected Officials

Map of Carteret County, North Carolina



<u>Carteret County</u>	
Population	71,640
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, 2019

Christopher P. Morrill

Executive Director/CEO



Financial Section

Independent Auditor's Report

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

Basic Financial Statements

Notes to Financial Statements

**Required Supplementary Information
(Unaudited)**





Independent Auditor's Report

RSM US LLP

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

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, 2020, 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 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.

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, 2020, 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.

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 28, 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 Local Governmental Employees' Retirement System Schedules of Proportionate Share of the Net Pension Liability (Asset) and County Contributions, the Register of Deeds' Supplemental Pension Fund Schedules of Proportionate Share of the Net Pension Liability (Asset) and County Contributions and the Other Postemployment Benefits Schedule of Changes in Total OPEB Liability, on pages 101 through 112 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the 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 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 February 25, 2021 , on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

RSM US LLP

Morehead City, North Carolina
February 25, 2021



Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited) June 30, 2020

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, 2020. 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

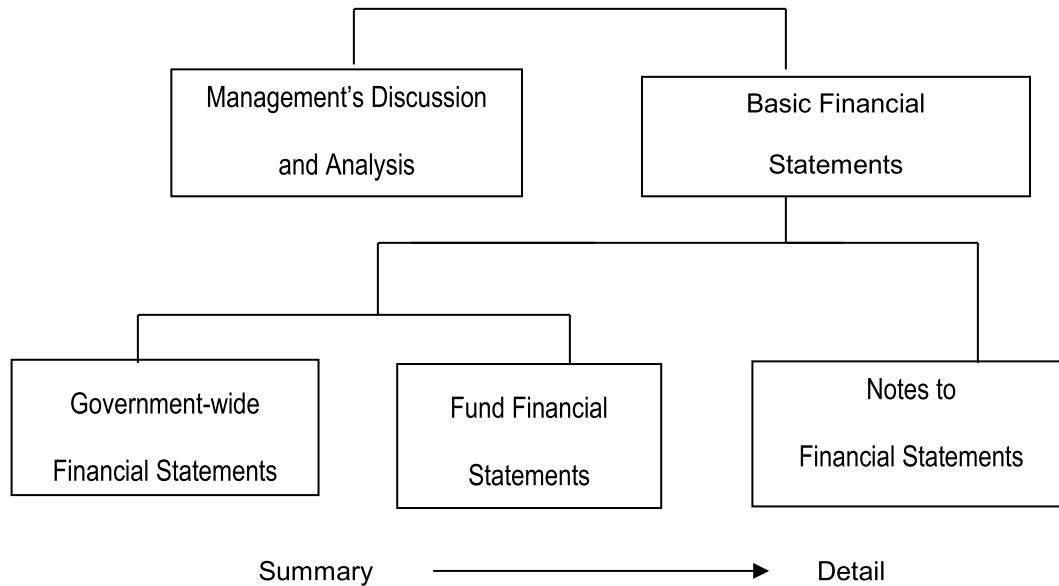
- The assets and deferred outflows of resources of Carteret County (primary government) were greater than its liabilities and deferred inflows of resources at the close of the fiscal year by \$80,783,015 (*net position*).
- The government's total net position increased by \$27,361,712. The increase is primarily due to Hurricanes Florence and Dorian federal and state eligible expense reimbursements received for expenditures in the prior fiscal year. In addition, the County received reimbursement from three municipalities for Beach Nourishment Projects Phases I and II. Phase I project was completed in FY19 and Phase II in FY20. The County's beach nourishment reserve fund up fronted and assisted the municipalities for these projects until the towns received Hurricane Florence FEMA and state reimbursement for Hurricane Florence damage. Upon receipt of the funds, the municipalities reimbursed the County. Hurricanes Florence and Dorian federal and state reimbursements for debris, and building damages, insurance proceeds, and municipal reimbursement for beach nourishment projects was approximately \$24.83 million. Revenues such as sales taxes and intergovernmental exceeded projections.
- As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$80,573,230, after a net increase in fund balance of \$20,327,323. Approximately 68.72 percent of this total amount or \$55,367,014 is restricted, committed or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$26,838,581 or 32.17 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 \$2,744,396. The County retired debt principal and decrease in net pension liability 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 seventh 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, 2020

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 - 100 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 \$80,783,015 as of June 30, 2020. The County's net position increased by \$27,361,712 for the fiscal year ended June 30, 2020. Net position is reported in three categories: net investment in capital assets of \$29,228,752, restricted net position of \$42,439,846, and unrestricted net position of 9,114,417.

Carteret County, North Carolina

**Management’s Discussion and Analysis (Unaudited)
June 30, 2020**

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, 2020, the unrestricted net position of governmental activities reported \$8,020,462. Of the County’s net position, \$42,439,846 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 small 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 \$24.08 million of the outstanding debt on the County’s financial statements was related to assets included in the school system’s financial statements. However, as the majority of this school system 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 95,732,962	\$ 72,681,861	\$ 1,455,955	\$ 1,262,168	\$ 97,188,917	\$ 73,944,029
Capital assets	25,032,364	23,034,640	6,123,484	6,488,371	31,155,848	29,523,011
Total assets	120,765,326	95,716,501	7,579,439	7,750,539	128,344,765	103,467,040
Total deferred outflows of resources	6,876,849	7,337,961	58,645	58,009	6,935,494	7,395,970
Long-term liabilities						
outstanding	44,490,035	47,070,604	2,068,917	2,232,744	46,558,952	49,303,348
Other liabilities	7,286,424	4,593,329	225,034	173,653	7,511,458	4,766,982
Total liabilities	51,776,459	51,663,933	2,293,951	2,406,397	54,070,410	54,070,330
Total deferred inflows of resources	423,044	3,365,447	3,790	5,930	426,834	3,371,377
Net position:						
Net investment in capital assets	24,982,364	22,984,640	4,246,388	4,422,243	29,228,752	27,406,883
Restricted	42,439,846	25,009,402	-	-	42,439,846	25,009,402
Unrestricted (deficit)	8,020,462	31,040	1,093,955	973,978	9,114,417	1,005,018
Total net position	\$ 75,442,672	\$ 48,025,082	\$ 5,340,343	\$ 5,396,221	\$ 80,783,015	\$ 53,421,303

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited) June 30, 2020

Governmental activities: Governmental activities increased the County's net position by \$27,417,590 from fiscal year 2020. Key elements that net to this increase are as follows:

- Sales taxes increased 4.17% or approximately \$.763 million. Sales tax increases were strong the first half of the fiscal year. Sales tax regression began with March 2020 sales and then began improving with May and June sales. Decreased sales tax percentages are as follows: March 9.29%, April 20.77%, May 6.53% and June 4.41% compared to the same months in 2019.
- Occupancy tax decreased 5.89% or approximately \$.455 million from the prior fiscal year. Due to COVID 19 and shut downs, occupancy decreased significantly in April and May 2020, and began improving in June 2020.
- Beach Nourishment Phases I and II projects were completed. Phase I was completed FY19, and Phase II was completed FY20. The County beaches were significantly eroded by Hurricane Florence, and thus the two nourishment projects were necessary. Due to the timing of municipalities receiving FEMA and state funding for beach damage, the County up fronted a portion of the project expenses in FY19 and 20. As the municipalities received federal and state funding, the County was reimbursed. The reimbursement amount was \$21.13 million.
- Hurricane Florence expenses were approximately \$16.76 million in FY19. In FY20, the County received \$2.75 million reimbursement revenue from FEMA, the State and our insurance carrier. The total amount reimbursed for FY19 and FY20 is \$13.20 million. FEMA has approved \$15.57 million, and \$3.54 million has not been received by the County. Of the \$3.54 million not received, \$3.30 million was recognized as revenue in FY20. Because of the timing of Hurricane Florence expenses, most expense categories decreased from the previous fiscal year.
- Hurricane Dorian impacted Carteret County in FY20, and the County was approved for federal assistance from FEMA. Hurricane Dorian's impact was less severe than Hurricane Florence. The damages and costs incurred were \$1.85 million. The County received \$1.74 million in reimbursement revenue from FEMA, the State, and the County's insurance carrier. The County expects to receive the remaining \$110,000 in FY21.
- 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, and as a result, had a positive impact on net position.

Business-type activities: Business-type activities decreased net position by \$55,878. Even though revenues were slightly more than projected and expenses were less than projected, net position decreased for fiscal year ending June 30, 2020. The primary factor for the decrease was due to depreciation expense and scheduled plant maintenance for the water system. North Carolina Governor Cooper's COVID-19 executive order not allowing water utility systems to assess late payments, customer disconnections due to nonpayment, and consequently no reconnect fees, contributed to the decrease in net position. The decrease in net position was partially offset by contracted services, supplies, and chemical expenses less than projected. 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, 2020

The County's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 8,128,261	\$ 8,523,191	\$ 693,744	\$ 711,732	\$ 8,822,005	\$ 9,234,923
Operating grants and contributions	64,474,699	28,013,773	-	-	64,474,699	28,013,773
Capital grants and contributions	4,154,597	328,231	-	-	4,154,597	328,231
General revenues:						
Property taxes	54,313,866	54,449,182	-	-	54,313,866	54,449,182
Other taxes	26,378,095	26,057,980	-	-	26,378,095	26,057,980
Other	3,994,563	3,501,529	16,412	26,896	4,010,975	3,528,425
Total revenues	161,444,081	120,873,886	710,156	738,628	162,154,237	121,612,514
Expenses:						
General government	9,600,044	9,357,478	-	-	9,600,044	9,357,478
Public safety	25,184,103	23,453,487	-	-	25,184,103	23,453,487
Transportation	3,545,761	1,841,321	-	-	3,545,761	1,841,321
Economic and physical development	35,662,784	23,043,843	-	-	35,662,784	23,043,843
Environmental protection	4,381,762	18,482,660	-	-	4,381,762	18,482,660
Human services	17,824,420	16,619,956	-	-	17,824,420	16,619,956
Cultural and recreation	4,102,082	4,375,740	-	-	4,102,082	4,375,740
Education	32,392,870	28,549,195	-	-	32,392,870	28,549,195
Interest on long-term debt	912,665	1,100,892	-	-	912,665	1,100,892
Water	-	-	1,186,034	1,159,290	1,186,034	1,159,290
Total expenses	133,606,491	126,824,572	1,186,034	1,159,290	134,792,525	127,983,862
Increase (decrease) in net position before transfers	27,837,590	(5,950,686)	(475,878)	(420,662)	27,361,712	(6,371,348)
Transfers	(420,000)	(400,000)	420,000	400,000	-	-
Increase (decrease) in net position	27,417,590	(6,350,686)	(55,878)	(20,662)	27,361,712	(6,371,348)
Net position, July 1	48,025,082	54,375,768	5,396,221	5,416,883	53,421,303	59,792,651
Net position, June 30	\$ 75,442,672	\$ 48,025,082	\$ 5,340,343	\$ 5,396,221	\$ 80,783,015	\$ 53,421,303

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.

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 \$26,838,581, while total fund balance reached \$65,565,860. 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 32.17 percent of general fund expenditures, while total fund balance represents 78.60 percent of that same amount. The County's unassigned fund balance increased \$5,036,958. The increase in unassigned fund balance is mostly due to FEMA, State, and insurance reimbursements

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited) June 30, 2020

received FY20 for hurricane expenditures incurred in FY19. In addition, 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. Many revenue categories exceeded budgeted amounts such as sales tax, approximately \$814,000, permits, fees, sales and services approximately \$393,000 and miscellaneous approximately \$1.34 million. Intergovernmental revenue exceeded the budget by approximately by \$23.99 million from Hurricane Florence revenue reimbursements and reimbursements from the municipalities for the beach nourishment projects as discussed in detail earlier in this analysis. In addition to revenues exceeding the budget, many function level expenditures were less than the budget amount by approximately \$5.76 million. Human services, public safety, and general government functions had the greatest amounts coming in under budget.

At June 30, 2020, the governmental funds of the County reported a combined fund balance of \$80,573,230, a \$20,327,323 increase from last year. The discussion above regarding the General Fund unassigned fund balance increase is the basis for the increase in the governmental funds combined fund balance.

General Fund Budgetary Highlights

During fiscal year 2020, the County's financial picture was good. Revenues were less than budgeted by \$26.22 million. Municipal reimbursement for Beach Nourishment Phases I and II projects and Hurricane Florence federal and state revenue reimbursement was \$24.83 million of the \$26.22 million revenues exceeding budgeted amounts. The remaining \$1.39 million revenues greater than budgeted amounts resulted from sales tax revenue, permits, fees, sales and services, and miscellaneous revenue. Hurricanes Florence and Dorian and COVID 19 had a significant impact on the County, but through conservative management and prioritizing our expenditures, the County finished the year in positive, 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 \$1,091,797 and expenditure appropriations by \$3,617,901. The appropriations increase was mostly due to maintenance and capital projects not completed in fiscal year 2019, and Hurricane Dorian related expenditures. Expenditures were increased in all functions of government.

The County's expenditures were less than the budgeted amount by \$5.76 million, and most of the savings were in the human services programs of \$2.63 million, public safety programs of \$.70 million, \$.45 million general government, as well as \$1.98 million in 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, 2020

Occupancy Tax Fund. This fund is used to account for the six percent tax collected on hotel, motel condominium room rentals within the County and the subsequent distribution of the tax to the Tourism Development Authority (TDA) and the County General Fund for beach nourishment. Total revenues were \$7,273,656, approximately \$.686 million less than projected. COVID-19 restrictions and governmental required shut downs negatively impacted late spring 2020 occupancy tax revenue. This resulted in 5.62%, approximately \$.433 million less than FY19 total revenues. Fund expenses for the TDA were \$3,613,930, and transfers to the General Fund for beach nourishment and administrative costs were \$3,696,029. Expenses and transfers were approximately \$.650 million less than budgeted.

County Capital Improvement Fund. This fund accounts for the funding and construction of projects. The primary funding sources are transfers from the General Fund and intergovernmental revenue for grants. Ending fund balance was \$2,892,883, a \$988,544 increase from fiscal year 2019. The increase was due to dredging and park projects that were not completed. The County revised the budget on several occasions increasing revenue \$32,776,020 and increasing expenses \$42,431,458. Revenues were increased for intergovernmental revenue for the Phase II Beach Nourishment project, waterway maintenance and dredging, and park projects such as water access. Expenditures were increased \$30,558,809 for beach nourishment, \$4,184,639 waterway maintenance and dredging, and \$7,688,010 park projects.

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 \$1,093,955. Expenses were less than projected; however, total net position decreased due to depreciation expense and plant maintenance. Unrestricted net position increased \$119,977 from the previous fiscal year. 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 2020, \$420,000 was transferred from the water taxing district, \$20,000 more than the previous year.

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, 2020, totals \$31,155,848 (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:

- Land for water access
- Purchase vehicles in departments including nine Sheriff Department vehicles
- Technology equipment
- Completed Western Library building addition.

Carteret County, North Carolina

**Management's Discussion and Analysis (Unaudited)
June 30, 2020**

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.

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 9,456,649	\$ 5,653,780	\$ 222,608	\$ 222,608	\$ 9,679,257	\$ 5,876,388
Buildings	7,478,233	8,263,142	941,896	1,012,538	8,420,129	9,275,680
Water lines	-	-	4,930,116	5,207,664	4,930,116	5,207,664
Vehicles	1,869,690	2,071,601	18,948	26,528	1,888,638	2,098,129
Equipment	894,324	1,143,469	9,916	19,033	904,240	1,162,502
Other improvements	3,995,456	4,090,458	-	-	3,995,456	4,090,458
Leasehold improvements	1,304,412	1,433,933	-	-	1,304,412	1,433,933
Construction in progress	33,600	378,257	-	-	33,600	378,257
Total	\$ 25,032,364	\$ 23,034,640	\$ 6,123,484	\$ 6,488,371	\$ 31,155,848	\$ 29,523,011

General Obligation, Capital Leases and Installment Notes Payable

Long-Term Debt. As of June 30, 2020, the County had total general obligation bonded debt outstanding of \$19,135,000, 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	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ 19,135,000	\$ 22,100,000	\$ -	\$ -	\$ 19,135,000	\$ 22,100,000
Certificate of participation	855,000	1,290,000	-	-	855,000	1,290,000
Revenue bond	-	-	944,000	962,000	944,000	962,000
Bond premiums	1,559,550	1,845,515	-	-	1,559,550	1,845,515
Installment note payable	4,135,588	5,411,102	933,096	1,104,128	5,068,684	6,515,230
Compensated absences	1,631,093	1,591,186	19,346	18,675	1,650,439	1,609,861
Net pension liability (LGERS)	8,121,822	6,492,805	90,334	66,246	8,212,156	6,559,051
Total pension liability (LEOSSA)	1,528,461	1,127,500	-	-	1,528,461	1,127,500
Net OPEB obligation	7,523,521	7,212,496	82,141	81,695	7,605,662	7,294,191
Total long-term debt	\$ 44,490,035	\$ 47,070,604	\$ 2,068,917	\$ 2,232,744	\$ 46,558,952	\$ 49,303,348

The County's total debt decreased \$2,744,396 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.

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited) June 30, 2020

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, 2020, for the County is \$1,185,329,133.

Additional information regarding the County's long-term debt can be found in Note 9 on pages 70 - 77 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, 2019, the unemployment rate for the County averaged 4.66%, compared to the 4.35% for fiscal year 2018. These rates are slightly higher than the state's average unemployment rate of 3.88% for fiscal year 2019. 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, 2020. The County adopted an ad valorem tax rate of \$.31 cents per \$100 assessed value in fiscal year 2020.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: The County has approved a \$94.84 million general fund budget for fiscal year 2020, which represents a \$28.41 million or 23.05% decrease from fiscal year 2019 amended budget. The net decrease in the budget is primarily due to approximately \$16.76 million Hurricane Florence expenditures and spending \$12.09 million restricted funds on the phase I beach nourishment project. The approved budget increased funding for education. 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 \$46.54 million. Due to growth in sales tax revenue, the County budgeted a 3.94% increase that generates approximately \$15.80 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 2020 General Fund budgets approximately \$5.30 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. The General Fund budget did not budget FEMA and State revenue reimbursements for Hurricane Florence. FEMA has approved \$15.40 million of the \$15.90 million eligible expenses submitted by the County. Of the \$15.40 million approved, the County recorded \$9.31 million in revenue FY19 leaving a remaining balance of \$6.09 million. The County anticipates receiving the balance during FY20.

As in previous years, Education is the largest service area in terms of its portion of total expenditures. Capital and operating education expenditures total \$29.81 million or 31.43% of the fiscal year 2020 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 FY21, the Water Fund adopted budget is \$1,158,200 for operations, debt service and equipment. The adopted budget increased funding \$24,655 (1.03%) for operating expenses. FY21 annual debt service is \$242,080.

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited) June 30, 2020

The adopted Water Fund budgets \$680,700 user fee revenue and does not increase user rates. User rates were increased 15% in FY18. The budget includes a \$405,000 transfer from the Water Taxing District Special Revenue Fund. The transfer is \$15,000 less than FY20.

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, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 5,287,623	\$ 1,341,855	\$ 6,629,478
Investments	57,909,825	-	57,909,825
Receivables (net)	27,971,548	70,168	28,041,716
Due from component unit	186,352	-	186,352
Inventories	-	-	-
Prepaid items	-	-	-
Restricted assets:			
Cash and cash equivalents	2,469,033	43,932	2,512,965
Investments	1,729,395	-	1,729,395
Net pension asset	179,186	-	179,186
Other assets	-	-	-
Capital assets:			
Land, improvements, and construction in progress	9,490,249	222,608	9,712,857
Other capital assets, net of depreciation	15,542,115	5,900,876	21,442,991
Total capital assets	25,032,364	6,123,484	31,155,848
Total assets	120,765,326	7,579,439	128,344,765
Deferred Outflows of Resources	6,876,849	58,645	6,935,494
Liabilities			
Accounts payable and accrued expenses	6,363,221	109,142	6,472,363
Accrued interest payable	227,615	6,142	233,757
Customer deposits	-	109,750	109,750
Due to primary government	-	-	-
Unearned revenue	695,588	-	695,588
Long-term liabilities:			
Due within one year	4,857,165	196,387	5,053,552
Due in more than one year	39,632,870	1,872,530	41,505,400
Total long-term liabilities	44,490,035	2,068,917	46,558,952
Total liabilities	51,776,459	2,293,951	54,070,410
Deferred Inflows of Resources	423,044	3,790	426,834
Net Position			
Net investment in capital assets	24,982,364	4,246,388	29,228,752
Restricted for:			
Public Safety	4,861,939	-	4,861,939
Economic Development	18,987,196	-	18,987,196
Cultural and Recreation	33,898	-	33,898
Register of Deeds	199,720	-	199,720
Human Services	485,868	-	485,868
Stabilization by State Statute	17,871,225	-	17,871,225
Other purposes	-	-	-
Unrestricted	8,020,462	1,093,955	9,114,417
Total net position	\$ 75,442,672	\$ 5,340,343	\$ 80,783,015

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	
\$ 226,051	\$ 1,725,651	\$ 49,973,414	\$ 2,111,084	
-	-	128,654,050	-	
26,533	1,072,577	31,146,911	-	
-	-	-	-	
-	-	3,487,697	1,425,459	
1,108	-	3,118,798	1,633	
283,990	-	3,691,858	-	
-	-	-	-	
-	-	-	-	
-	-	2,591,291	-	
5,859,482	-	3,173,901	2,924,540	
10,587,736	318,942	76,983,050	1,828,223	
16,447,218	318,942	80,156,951	4,752,763	
16,984,900	3,117,170	302,820,970	8,290,939	
-	-	-	183,562	
13,332	787,202	18,595,325	2,051,570	
-	-	-	-	
-	-	-	-	
-	-	-	186,352	
-	-	-	-	
18,477	7,084	531,927	-	
18,477	21,250	1,111,177	1,337,367	
36,954	28,334	1,643,104	1,337,367	
50,286	815,536	20,238,429	3,575,289	
17,325	-	14,260,191	-	
16,410,264	318,942	78,513,847	3,649,163	
-	-	-	259,677	
-	-	-	-	
-	-	-	-	
-	-	-	-	
26,533	1,072,577	-	-	
-	910,115	7,209,743	519,164	
480,492	-	182,598,760	471,208	
\$ 16,917,289	\$ 2,301,634	\$ 268,322,350	\$ 4,899,212	

Carteret County, North Carolina

Statement of Activities
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 9,600,044	\$ 2,042,325	\$ 6,377	\$ -
Public safety	25,184,103	272,614	1,469,968	-
Transportation	3,545,761	108,324	2,654,344	-
Economic and physical development	35,662,784	1,018,108	42,738,966	-
Environmental protection	4,381,762	3,527,031	6,593,546	-
Human services	17,824,420	872,936	10,269,441	-
Cultural and recreation	4,102,082	286,923	-	4,154,597
Education	32,392,870	-	41,856	-
Interest on long-term debt	912,665	-	700,201	-
Total governmental activities	133,606,491	8,128,261	64,474,699	4,154,597
Business-type activities:				
Water	1,186,034	693,744	-	-
Total primary government	\$ 134,792,525	\$ 8,822,005	\$ 64,474,699	\$ 4,154,597
Component units:				
Airport Authority	\$ 642,068	\$ 205,645	\$ 42,090	\$ 3,203,045
Tourism Development Authority	3,942,240	3,613,930	142,857	-
Hospital	152,202,870	178,091,314	412,428	-
ABC Board	13,227,640	13,498,266	-	-
Total component units	\$ 170,014,818	\$ 195,409,155	\$ 597,375	\$ 3,203,045
General revenues:				
Taxes:				
Property taxes, levied for general purpose				
Local option sales tax				
Occupancy tax				
ABC local bottle tax				
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				
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	
\$ (7,551,342)	\$ -	\$ (7,551,342)					
(23,441,521)	-	(23,441,521)					
(783,093)	-	(783,093)					
8,094,290	-	8,094,290					
5,738,815	-	5,738,815					
(6,682,043)	-	(6,682,043)					
339,438	-	339,438					
(32,351,014)	-	(32,351,014)					
(212,464)	-	(212,464)					
(56,848,934)	-	(56,848,934)					
-	(492,290)	(492,290)					
(56,848,934)	(492,290)	(57,341,224)					
			\$ 2,808,712	\$ -	\$ -	\$ -	
			-	(185,453)	-	-	
			-	-	26,300,872	-	
			-	-	-	270,626	
			2,808,712	(185,453)	26,300,872	270,626	
54,313,866	-	54,313,866	-	-	-	-	
19,061,509	-	19,061,509	-	-	-	-	
7,271,251	-	7,271,251	-	-	-	-	
45,335	-	45,335	-	-	-	-	
1,274,575	-	1,274,575	-	-	-	-	
979,978	16,412	996,390	1,478	21,883	7,096,281	-	
1,740,010	-	1,740,010	3,000	26	-	-	
84,686,524	16,412	84,702,936	4,478	21,909	7,096,281	-	
(420,000)	420,000	-	-	-	-	-	
84,266,524	436,412	84,702,936	4,478	21,909	7,096,281	-	
27,417,590	(55,878)	27,361,712	2,813,190	(163,544)	33,397,153	270,626	
48,025,082	5,396,221	53,421,303	14,104,099	2,465,178	234,925,197	4,628,586	
\$ 75,442,672	\$ 5,340,343	\$ 80,783,015	\$ 16,917,289	\$ 2,301,634	\$ 268,322,350	\$ 4,899,212	

Carteret County, North Carolina

Balance Sheet - Governmental Funds
June 30, 2020

	Governmental Fund Types					
	Major Funds			Total	Total	
	General	Occupancy	County Capital	Non-Major	Governmental	
		Tax Fund	Improvements Fund			
Assets						
Cash and investments	\$ 49,105,221	\$ -	\$ 3,057,415	\$ 11,034,812	\$ 63,197,448	
Receivables, net	23,441,235	1,640,641	618,322	1,376,101	27,076,299	
Restricted cash and investments	1,800,232	-	-	2,398,196	4,198,428	
Due from other funds	558,907	-	-	-	558,907	
Due from component unit	186,352	-	-	-	186,352	
Total assets	\$ 75,091,947	\$ 1,640,641	\$ 3,675,737	\$ 14,809,109	\$ 95,217,434	
Liabilities, Deferred Inflows and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 3,152,419	\$ 1,073,458	\$ 782,854	\$ 1,354,490	\$ 6,363,221	
Due to other funds	-	558,907	-	-	558,907	
Unearned revenue	-	-	-	695,588	695,588	
Total liabilities	3,152,419	1,632,365	782,854	2,050,078	7,617,716	
Deferred Inflows of Resources	6,373,668	-	-	652,820	7,026,488	
Fund balances:						
Restricted:						
Register of Deeds	199,720	-	-	-	199,720	
Recreation Districts	33,898	-	-	-	33,898	
Beach Nourishment	17,164,659	-	-	-	17,164,659	
Stabilization by State Statute	17,871,225	-	-	-	17,871,225	
Sheriff's fund	412,053	-	-	-	412,053	
Health and mental health programs	482,776	-	-	3,092	485,868	
Public safety	-	-	-	1,399,418	1,399,418	
Rescue protection	-	-	-	1,211,152	1,211,152	
Fire protection	-	-	-	1,839,316	1,839,316	
Economic development	962,948	1,640,641	-	291,818	2,895,407	
Committed:						
Taylor Extended Care	-	-	49,177	-	49,177	
School capital	-	-	-	622,820	622,820	
Assigned:						
Subsequent year's expenditures	1,600,000	-	130,000	-	1,730,000	
County capital	-	-	2,713,706	6,738,595	9,452,301	
Unassigned	26,838,581	(1,632,365)	-	-	25,206,216	
Total fund balances	65,565,860	8,276	2,892,883	12,106,211	80,573,230	
Total liabilities, deferred inflows of resources and fund balances	\$ 75,091,947	\$ 1,640,641	\$ 3,675,737	\$ 14,809,109	\$ 95,217,434	

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, 2020**

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

Total fund balances for governmental funds	\$ 80,573,230
Capital assets used in governmental activities are not current financial resources and, therefore are not reported in the funds	25,032,364
Net pension asset	179,186
Deferred outflows of resources related to pensions are not reported in the fund statements	5,316,766
Deferred outflows of resources related to OPEB are not reported in the fund statements	240,073
Deferred outflows of resources related to advance refunding bond issue	1,320,010
Deferred inflows of resources in the fund statements for taxes, FEMA, and special assessments receivable	6,968,089
Deferred inflows of resources related to pensions	(37,757)
Deferred inflows of resources related to OPEB	(326,888)
Accrued interest receivable not included in the fund statements	895,249
Accrued interest payable on long-term debt is not a current financial obligation and, therefore, is not in the funds	(227,615)
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore are not reported in the funds	<u>(44,490,035)</u>
Net position of governmental activities	<u>\$ 75,442,672</u>

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
Year Ended June 30, 2020

	Governmental Fund Types				
	Major Funds			Total	Total
	General	Occupancy	County Capital	Non-Major	Governmental
		Tax	Improvement		
	Fund	Fund			
Revenues					
Ad valorem taxes	\$ 47,527,992	\$ -	\$ -	\$ 7,392,106	\$ 54,920,098
Other taxes	16,659,602	7,271,251	-	2,447,242	26,378,095
Permits and fees	3,833,484	-	-	-	3,833,484
Intergovernmental	37,963,867	-	27,345,262	1,289,962	66,599,091
Sales and services	4,294,777	-	-	-	4,294,777
Interest	783,826	2,405	59,493	134,254	979,978
Miscellaneous	1,673,398	-	500	-	1,673,898
Total revenues	112,736,946	7,273,656	27,405,255	11,263,564	158,679,421
Expenditures					
Current:					
General government	8,751,597	-	-	-	8,751,597
Public safety	14,360,776	-	-	9,528,768	23,889,544
Transportation	1,142,378	-	-	-	1,142,378
Environmental protection	4,442,846	-	-	-	4,442,846
Economic and physical development	2,225,807	3,613,930	-	1,432	5,841,169
Human services	16,057,779	-	-	684,761	16,742,540
Culture and recreation	3,463,928	-	-	-	3,463,928
Education	27,328,780	-	-	-	27,328,780
Capital outlay	-	-	35,683,282	5,097,690	40,780,972
Debt service:					
Principal retirement	4,675,514	-	-	-	4,675,514
Interest and fees	968,980	-	-	-	968,980
Total expenditures	83,418,385	3,613,930	35,683,282	15,312,651	138,028,248
Excess (deficiency) of revenues over (under) expenditures	29,318,561	3,659,726	(8,278,027)	(4,049,087)	20,651,173
Other financing sources (uses)					
Sale of capital assets	-	-	-	96,150	96,150
Transfers in	3,855,352	-	9,538,894	6,173,658	19,567,904
Transfers out	(15,599,552)	(3,696,029)	(272,323)	(420,000)	(19,987,904)
Total other financing (uses) sources	(11,744,200)	(3,696,029)	9,266,571	5,849,808	(323,850)
Net change in fund balance	17,574,361	(36,303)	988,544	1,800,721	20,327,323
Fund balances					
Beginning	47,991,499	44,579	1,904,339	10,305,490	60,245,907
Ending	\$ 65,565,860	\$ 8,276	\$ 2,892,883	\$ 12,106,211	\$ 80,573,230

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, 2020**

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

Net changes in fund balances - total governmental funds	\$ 20,327,323
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	2,027,762
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, retirements, and donations) is a decrease to net position.	(30,038)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	1,892,342
OPEB benefit payments and administration cost in the current fiscal year are not included in the Statement of Activities	240,073
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	2,698,548
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	261,580
Total changes in net position of governmental activities	<u>\$ 27,417,590</u>

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, 2020

	General Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Revenues				
Ad valorem taxes	\$ 47,728,000	\$ 47,728,000	\$ 47,527,992	\$ (200,008)
Other taxes	15,843,000	15,843,000	16,659,602	816,602
Permits and fees	3,192,410	3,471,510	3,833,484	361,974
Intergovernmental	13,411,225	13,972,463	37,963,867	23,991,404
Sales and services	4,263,650	4,263,650	4,294,777	31,127
Interest	900,000	900,000	783,826	(116,174)
Miscellaneous	84,500	335,959	1,673,398	1,337,439
Total revenues	85,422,785	86,514,582	112,736,946	26,222,364
Expenditures				
Current:				
General government	8,712,085	9,198,405	8,751,597	446,808
Public safety	14,321,715	15,061,683	14,360,776	700,907
Transportation	1,343,135	1,454,505	1,142,378	312,127
Environmental protection	4,193,965	4,909,630	4,442,846	466,784
Economic and physical development	2,156,435	2,536,920	2,225,807	311,113
Human services	18,245,080	18,686,368	16,057,779	2,628,589
Culture and recreation	3,709,330	3,850,099	3,463,928	386,171
Education	27,110,000	27,712,036	27,328,780	383,256
Debt service:				
Principal retirement	4,787,100	4,787,100	4,675,514	111,586
Interest and fees	982,000	982,000	968,980	13,020
Total expenditures	85,560,845	89,178,746	83,418,385	5,760,361
Revenues (under) over expenditures	(138,060)	(2,664,164)	29,318,561	31,982,725
Other financing sources (uses)				
Transfers in	4,034,150	4,193,473	3,855,352	(338,121)
Transfers out	(5,104,300)	(15,599,552)	(15,599,552)	-
Contingency reserves	(4,177,750)	(499,462)	-	499,462
Appropriated fund balance	5,385,960	14,569,705	-	(14,569,705)
Total other financing sources (uses)	138,060	2,664,164	(11,744,200)	(14,408,364)
Net change in fund balance	\$ -	\$ -	17,574,361	\$ 17,574,361
Fund balances				
Beginning			47,991,499	
Ending			<u>\$ 65,565,860</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, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Other taxes:				
Occupancy taxes	\$ 7,950,000	\$ 7,950,000	\$ 7,262,117	\$ (687,883)
Occupancy taxes, penalties and interest	10,000	10,000	9,134	(866)
Interest	-	-	2,405	2,405
Total revenues	7,960,000	7,960,000	7,273,656	(686,344)
Expenditures				
Economic and physical development:				
Tourism:				
Tourism Development Authority	3,935,250	3,935,250	3,613,930	321,320
Total expenditures	3,935,250	3,935,250	3,613,930	321,320
Revenues over expenditures	4,024,750	4,024,750	3,659,726	(365,024)
Other financing uses				
Transfers out	(4,024,750)	(4,024,750)	(3,696,029)	328,721
Total other financing uses	(4,024,750)	(4,024,750)	(3,696,029)	328,721
Revenues under expenditures and other uses	\$ -	\$ -	(36,303)	\$ (36,303)
Fund balances				
Beginning			44,579	
Ending			<u>\$ 8,276</u>	

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Fund Net Position - Proprietary Fund
June 30, 2020

	Water Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 1,341,855
Receivables, net	70,168
Restricted cash and cash equivalents	43,932
Total current assets	1,455,955
Noncurrent assets	
Capital assets:	
Land, improvements, and construction in progress	222,608
Other capital assets, net of depreciation	5,900,876
Total capital assets	6,123,484
Total noncurrent assets	6,123,484
Total assets	7,579,439
Deferred outflows of resources	58,645
Liabilities	
Current liabilities	
Accounts payable and accrued expenses	109,142
Customer deposits	109,750
Accrued interest payable	6,142
Current portion of long-term liabilities	196,387
Total current liabilities	421,421
Noncurrent liabilities	
Installment loan payable and long-term liabilities	1,700,055
Net pension liability	90,334
Total OPEB liability	82,141
Total noncurrent liabilities	1,872,530
Total liabilities	2,293,951
Deferred inflows of resources	3,790
Net Position	
Net investment in capital assets	4,246,388
Unrestricted	1,093,955
Total net position	\$ 5,340,343

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, 2020

	Water Fund
Operating revenues	
Charges for services	\$ 676,001
Other operating revenues	17,743
Total operating revenues	<u>693,744</u>
Operating expenses	
Water plant operations	766,799
Depreciation	364,887
Total operating expenses	<u>1,131,686</u>
Operating loss	<u>(437,942)</u>
Nonoperating revenues (expenses)	
Interest revenue	16,412
Interest expense	(54,348)
Total nonoperating revenues (expenses)	<u>(37,936)</u>
Loss before contributions and transfers	(475,878)
Transfers in	420,000
Change in net position	<u>(55,878)</u>
Total net position	
Beginning	5,396,221
Ending	<u>\$ 5,340,343</u>

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2020

	Water Fund
Cash flows from operating activities	
Cash received from customers	\$ 674,066
Cash paid for goods and services	(350,381)
Cash paid to employees for services	(344,505)
Customer deposits received	2,750
Other operating revenues	27,988
Net cash provided by operating activities	<u>9,918</u>
Cash flows from noncapital financing	
Transfers in	420,000
Net cash provided by noncapital financing	<u>420,000</u>
Cash flows from capital and related financing activities	
Principal paid on installment debt	(189,032)
Interest paid on installment debt	(55,201)
Net cash used by capital and related financing activities	<u>(244,233)</u>
Cash flows provided by investing activities	
Interest on investments	16,412
Net increase in cash and cash equivalents	<u>202,097</u>
Cash and cash equivalents:	
Beginning	1,183,690
Ending (including restricted of \$43,932)	<u>\$ 1,385,787</u>

(Continued)

Carteret County, North Carolina

Statement of Cash Flows - Proprietary Fund (Continued)
 Year Ended June 30, 2020

	Water Fund
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (437,942)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	364,887
Changes in assets, liabilities, and deferred outflows and inflows of resources:	
Decrease in accounts receivable	8,310
Increase in accounts payable and accrued liabilities	49,484
Increase in customer deposits	2,750
Increase in accrued vacation pay	671
Increase in deferred outflows of resources - pensions	(1,885)
Decrease in deferred outflows of resources - OPEB	1,249
Increase in net pension liability	24,088
Increase in total OPEB liability	446
Decrease in deferred inflows of resources - pensions	(427)
Decrease in deferred inflows of resources - OPEB	(1,713)
Net cash provided by operating activities	\$ 9,918

See Notes to Financial Statements.

Carteret County, North Carolina

**Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2020**

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 170,577</u>
Liabilities	
Accounts payable and accrued liabilities	<u>\$ 170,577</u>

See Notes to Financial Statements.

Notes to Financial Statements

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.

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.

Carteret County – Beaufort 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.

- Carteret County – Beaufort 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

Notes to Financial Statements

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 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

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 special revenue 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.

County Capital Improvements Fund: This capital project fund is used to account for financial resources that fund capital improvements for the county.

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.

The County reports the following non-major funds. The County maintains twelve non-major funds.

Special Revenue Funds: Non-major special revenue funds are as follows: Emergency Telephone System Fund, Rescue Squad Fund, Fire District Fund, Water Tax District Fund, Salter Path District Beach Nourishment Fund, CARES Relief Fund, and 2019 CDBG Neighborhood Revitalization Fund.

Capital Project Funds: Non-major capital project funds are as follows: County Capital Reserve Fund, County Facilities Debt Reserve Fund, School Special Projects Fund, County Construction Projects Fund, and Carteret Community College Project Fund are reported as capital projects funds.

Notes to Financial Statements

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 the CARES Relief Fund and the 2019 CDBG Neighborhood Revitalization Fund), the capital projects funds (excluding the County Construction Projects 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.

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.

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

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 \$30,000. Transfers between departments that exceed \$30,000 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 Government Portfolio ("NCCMT").

The majority of the County's investments are carried at fair value. Non-participating interest earning contracts are accounted for at cost, which approximate fair value. The NC Capital Management Trust Government (NCCMT) which consists of two SEC-registered funds, is authorized by G.S. 159-30(c)(8). One of these funds, the Government Portfolio, is a 2a7 fund which invests in treasuries and government agencies and is rated AAAs by S&P. The second fund, the Term Portfolio, is a short-term bond fund investing in treasuries, government agencies, and money market instruments allowed under G.S. 159-30. The Term Portfolio has no rating. Both the Government Portfolio and the Term Portfolio are reported at fair value.

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 compliance requires restricted cash, as well as other miscellaneous restricted accounts.

Notes to Financial Statements

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 that was not recognized as revenue is shown as a deferred inflow.

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, 2019 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 net realizable value. 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. The County and Airport utilize the consumption method for prepaid items.

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

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 and OPEB 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 several items that meet the criterion for this category – prepaid taxes, property taxes receivable, and other pension, OPEB, and FEMA 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

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 another 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 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:

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

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, 2020:

- 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, 2020. 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 – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS), is calculated at the end of each fiscal year for all annually budgeted governmental funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by laws through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet. 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.

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, 2020:

- 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.

Notes to Financial Statements

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

Assigned Fund Balance - portion of fund balance that the Carteret County governing board has budgeted. The governing board (County Board of Commissioners) and management have authority to assign amounts to a specific purpose. The following are the County's assigned fund balances as of June 30, 2020:

- 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.

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 is 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 three cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LGERS), the Registers of Deeds' Supplemental Pension Fund (RODSPF), and the Law Enforcement Officers' Special Separation Allowance (LEOSSA) (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 (\$5,130,558) consists of several elements as follows:

Carteret County, North Carolina

Notes to Financial Statements

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

Description	Amount
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	\$ 65,957,880
Less accumulated depreciation	<u>40,925,516</u>
Net capital assets	25,032,364
Net pension asset	179,186
Deferred outflows of resources related to pensions are not reported in the fund statements	5,316,766
Deferred outflows of resources related to OPEB are not reported in the fund statements	240,073
Deferred charges related to advance refunding bond issued - included on government-wide statement of net position but are not a current financial resources	1,320,010
Accrued interest receivable	895,249
Deferred inflows of resources reported in the fund statements but not in the government-wide statements	6,968,089
Deferred inflows of resources related pensions	(37,757)
Deferred inflows of resources related to OPEB	(326,888)
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	(24,125,588)
Premiums on refundings	(1,559,550)
Accrued interest payable	(227,615)
Compensated absences	(1,631,093)
Accrued postemployment and retirement obligations	<u>(17,173,804)</u>
Long-term liabilities	(44,717,650)
Total adjustment	\$ (5,130,558)

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 \$7,090,267 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 4,499,539
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	(2,471,777)
Loss on disposed capital assets not recorded in the fund statements	(30,038)
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.	4,675,514
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.	6,256
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	1,892,342
OPEB benefit payments and administrative cost made in the current fiscal year are not included in the Statement of Activities	240,073
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	(39,907)
OPEB expense	(510,488)
County's portion of collective pension expense	(3,919,854)
Decrease in interest payable on long-term debt at June 30, 2020	50,059
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 and FEMA receivable - as of June 30, 2020	2,865,218
Decrease in accrued interest on taxes receivable for year ended June 30, 2020	(166,670)
Total adjustment	\$ 7,090,267

Carteret County, North Carolina

Notes to Financial Statements

Note 2. Stewardship, Compliance, and Accountability

For fiscal year ended June 30, 2020, solid waste collection expenditures exceeded the authorized appropriations made by the governing board by \$206,917. This over expenditure occurred because of greater than anticipated tonnage costs. County management and the department will review its estimates and monitor its budget reports for excess expenditures to ensure compliance in future years.

Component Unit information:

For the ABC Board for the fiscal year ended June 30, 2020, the expenditures made in the Proprietary Fund exceeded the authorized appropriations made by the governing board. This over expenditure occurred because of greater than anticipated growth in sales that influence increases in taxes based on revenues, operating expenses, and distributions based on increase in profits available for distributions. ABC Board and management will review its estimates and monitor its budget reports for excess expenditures to ensure compliance in future years.

Note 3. Cash and Investments

Cash on hand: The County had \$2,270 in petty cash on hand at June 30, 2020.

Component unit information: The Hospital had \$5,911 in cash on hand at September 30, 2019.

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, 2020, the County's unrestricted and restricted deposits, excluding petty cash and agency fund deposits had a carrying amount of \$9,140,173 and a bank balance of \$9,555,862. Of the bank balance, \$251,969 was covered by federal depository insurance and \$9,303,893 was covered by collateral held under the Pooling Method. Restricted cash deposits, excluding agency funds, in the amount of \$2,512,965 are as follows: held in noninterest-bearing deposits for banking services in the amount of \$48,705, \$22,132 for capital projects, \$2,398,196 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.

At June 30, 2020, the County's agency fund deposits had a carrying amount of \$170,577 and a bank balance of \$173,725. All of the bank balance was covered by federal depository insurance.

Carteret County, North Carolina

Notes to Financial Statements

Note 3. Cash and Investments (Continued)

Component unit information:

At June 30, 2020, the carrying amount of deposits for the TDA with financial institutions was \$211,850 and the bank balance was \$245,500. Of the bank balance, \$245,500 was covered by federal depository insurance, and the remainder was covered by collateral held under the pooling method.

At June 30, 2020, the carrying amount of deposits for the Airport was \$510,041 and the bank balance was \$533,762. 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 September 30, 2019, the carrying amount of the Hospital's deposits was \$53,665,272 and the bank balance was \$51,348,508. Of the carrying amount, \$5,911 was cash on hand. Of the bank balance, \$2,000,000 was covered by federal depository insurance and the remainder is collateralized by the pooling method.

At June 30, 2020 the carrying amount of deposits for the ABC Board was \$2,102,984 and the bank balance was \$1,981,548. 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, 2020, the County had the following investments and maturities.

Investment Type	Valuation Measurement Method	Fair Value	Less Than	
			1 Year	1-5 Years
Commercial Paper	Fair Value - Level 2	\$ 6,397,384	\$ 6,397,384	\$ -
US Government Agencies	Fair Value - Level 2	6,055,258	1,729,395	4,325,863
NC Capital Management				
Trust Government Portfolio*	Fair Value - Level 1	21,565,559	21,565,559	N/A
NC Capital Management				
Trust Term Portfolio*	Fair Value - Level 1	25,621,019	25,621,019	-
Total		\$ 59,639,220	\$ 55,313,357	\$ 4,325,863

*As of June 30, 2020, the NC Capital Management Trust Term Portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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.

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.

Note 3. Cash and Investments (Continued)

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, 2020, 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 Commercial Paper, \$6,397,384 (10.73%) and Federal Home Loan Bank Securities, \$3,031,772 (5.08%). 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, 2020, the County had restricted investments in the governmental activities of \$1,729,395. In the General Fund these are restricted investments for Qualified Zone Academy Bond debt service.

Component unit information

At June 30, 2020, the TDA had \$1,513,801 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, 2019 the Hospital had the following investments and maturities.

The Hospital has \$3,859,657 of cash and cash equivalents included in assets limited as to use and investments for capital improvements as of September 30, 2019, which are not included in the fair value hierarchy.

Carteret County, North Carolina

Notes to Financial Statements

Note 3. Cash and Investments (Continued)

Investment Type	Valuation Measurement Method	Fair Value	Less Than	
			1 Year	1-4 Years
US Treasury bonds	Fair Value - Level 2	\$ 15,873	\$ 15,873	-
FHLMC	Fair Value - Level 2	33,542,916	-	33,542,916
FNMA	Fair Value - Level 2	53,590,277	-	53,590,277
GNMA	Fair Value - Level 2	34,670,019	-	34,670,019
Mutual funds	Fair Value - Level 1	1,656,652	1,656,652	-
Exchange-traded funds	Fair Value - Level 1	2,922,647	2,922,647	-
Common stocks	Fair Value - Level 1	795,335	795,335	-
Corporate bonds	Fair Value - Level 2	1,292,532	1,292,532	-
Total		\$ 128,486,251	\$ 6,683,039	\$ 121,803,212

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, 2020:

	Governmental Activities	Business-Type Activity, Water	Total
Receivables:			
Interest	\$ 895,249	\$ -	\$ 895,249
Taxes	3,157,976	-	3,157,976
Accounts	1,606,096	70,168	1,676,264
Intergovernmental	20,745,345	-	20,745,345
Other	1,640,641	-	1,640,641
Gross receivables	28,045,307	70,168	28,115,475
Less allowance for uncollectibles	(73,759)	-	(73,759)
Net total receivables	\$ 27,971,548	\$ 70,168	\$ 28,041,716

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
2017	\$ 461,705	\$ 109,655	\$ 571,360
2018	482,839	71,219	554,058
2019	485,004	27,888	512,892
2020	498,298	-	498,298
Total	\$ 1,927,846	\$ 208,762	\$ 2,136,608

Component unit information

The Hospital's receivables of \$31,146,911 are net of an allowance for doubtful accounts of approximately \$64,787,522. Approximately 62% 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, 2020:

	Capital Assets July 1, 2019	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2020
Governmental activities:					
Capital assets, not being depreciated:					
Land, airport	\$ 169,549	\$ -	\$ -	\$ -	\$ 169,549
Land, other	5,484,231	3,748,993	(20,124)	74,000	9,287,100
Construction in progress	378,257	33,600	-	(378,257)	33,600
Total capital assets not being depreciated	6,032,037	3,782,593	(20,124)	(304,257)	9,490,249
Capital assets, being depreciated:					
Buildings	28,499,423	-	-	-	28,499,423
Vehicles	6,407,705	508,755	(556,060)	-	6,360,400
Equipment	6,367,827	162,104	(37,446)	-	6,492,485
Airport facilities	1,524,747	-	-	-	1,524,747
Other improvements	10,649,804	46,087	-	304,257	11,000,148
Leasehold improvements	2,590,428	-	-	-	2,590,428
Total capital assets being depreciated	56,039,934	716,946	(593,506)	304,257	56,467,631
Less accumulated depreciation for:					
Buildings	20,236,281	784,909	-	-	21,021,190
Vehicles	4,336,104	700,752	(546,146)	-	4,490,710
Equipment	5,224,358	411,249	(37,446)	-	5,598,161
Airport facilities	1,524,747	-	-	-	1,524,747
Other improvements	6,559,346	445,346	-	-	7,004,692
Leasehold improvements	1,156,495	129,521	-	-	1,286,016
Total accumulated depreciation	39,037,331	\$ 2,471,777	\$ (583,592)	\$ -	40,925,516
Total capital assets, being depreciated, net	17,002,603				15,542,115
Governmental activity capital assets, net	\$ 23,034,640				\$ 25,032,364

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

Governmental activities:	
General government	\$ 448,611
Public Safety	764,845
Transportation	185,848
Economic & Physical Development	111,789
Human Services	305,119
Culture & Recreation	589,292
Environmental Protection	66,273
Total depreciation expense - governmental activities	\$ 2,471,777

Carteret County, North Carolina

Notes to Financial Statements

Note 5. Capital Assets (Continued)

	Capital Assets July 1, 2019	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2020
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 222,608	\$ -	\$ -	\$ -	\$ 222,608
Total capital assets, not being depreciated	222,608	-	-	-	222,608
Capital assets, being depreciated:					
Buildings	2,119,264	-	-	-	2,119,264
Infrastructure	9,618,564	-	-	-	9,618,564
Vehicles	75,129	-	-	-	75,129
Equipment	159,478	-	-	-	159,478
Total capital assets, being depreciated	11,972,435	-	-	-	11,972,435
Less accumulated depreciation for:					
Buildings	1,106,726	70,642	-	-	1,177,368
Infrastructure	4,410,900	277,548	-	-	4,688,448
Vehicles	48,601	7,580	-	-	56,181
Equipment	140,445	9,117	-	-	149,562
Total accumulated depreciation	5,706,672	\$ 364,887	\$ -	\$ -	6,071,559
Total capital assets, being depreciated, net	6,265,763				5,900,876
Business-type activities capital assets, net	\$ 6,488,371				\$ 6,123,484

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, 2019:

	Balance September 30, 2018	Additions	Retirements	Adjustment and Transfers	Balance September 30, 2019
Capital assets:					
Capital assets, not being depreciated:					
Construction in progress	\$ 130,502	\$ 1,098,140	\$ -	\$ (1,170,734)	\$ 57,908
Land	3,115,993	-	-	-	3,115,993
Total capital assets, not being depreciated	3,246,495	1,098,140	-	(1,170,734)	3,173,901
Capital assets, being depreciated:					
Land improvements	1,389,891	-	-	-	1,389,891
Buildings and improvements	82,330,044	204,613	-	521,836	83,056,493
Equipment	96,269,555	3,498,563	-	105,959	99,874,077
Total capital assets, being depreciated	179,989,490	3,703,176	-	627,795	184,320,461
Less accumulated depreciation:					
Land improvements	983,036	64,746	-	-	1,047,782
Buildings and improvements	23,934,509	2,701,478	-	(257,107)	26,378,880
Equipment	74,400,826	5,798,688	-	(288,765)	79,910,749
Total accumulated depreciation	99,318,371	\$ 8,564,912	\$ -	\$ (545,872)	107,337,411
Total capital assets, being depreciated, net	80,671,119				76,983,050
Capital assets, net	\$ 83,917,614				\$ 80,156,951

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, 2020:

Land	\$ 1,405,987
Construction in progress	1,518,553
Buildings	2,907,679
Furniture and equipment	1,673,129
Leasehold improvements	87,961
Building improvements	3,841
	7,597,150
Less accumulated depreciation	2,844,387
	\$ 4,752,763

Carteret County, North Carolina

Notes to Financial Statements

Note 5. Capital Assets (Continued)

The following is a summary of the Airport's capital assets at June 30, 2020:

Construction in progress	\$ 3,766,435
Land	1,516,047
Aviation easement	577,000
Equipment	178,159
Vehicle	24,066
Hangers	2,060,222
Land/runway improvements	11,299,718
	<u>19,421,647</u>
Less accumulated depreciation	2,974,429
	<u><u>\$ 16,447,218</u></u>

The following is a summary of the TDA's capital assets at June 30, 2020:

Buildings	\$ 276,000
Other improvements	99,627
Equipment	92,702
Vehicles	32,291
	<u>500,620</u>
Less accumulated depreciation	181,678
	<u><u>\$ 318,942</u></u>

Note 6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses (including liabilities to be paid from restricted assets) at the government-wide level at June 30, 2020, were as follows:

	Vendors	Salaries and Benefits	Total
Governmental activities:			
General	\$ 2,068,497	\$ 1,083,922	\$ 3,152,419
Occupancy Tax	1,073,458	-	1,073,458
Capital Improvements	782,854	-	782,854
Other governmental	1,354,490	-	1,354,490
Total governmental activities (1)	<u>\$ 5,279,299</u>	<u>\$ 1,083,922</u>	<u>\$ 6,363,221</u>
Business-type activities:			
Water	\$ 98,230	\$ 10,912	\$ 109,142
Total business - type activities	<u>\$ 98,230</u>	<u>\$ 10,912</u>	<u>\$ 109,142</u>

(1) Includes amounts in liabilities to be paid from restricted assets.

Carteret County, North Carolina

Notes to Financial Statements

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred outflows/inflows of resources on the government-wide statements:		
Charges on refunding of debt	\$ 1,320,010	\$ -
Difference between expected and actual experience		
Pensions	1,598,349	8,641
OPEB	-	61,430
Pensions - difference between projected and actual investment earnings	202,139	-
Changes in assumptions		
Pensions	1,376,948	-
OPEB	-	269,026
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	282,232	29,338
Contributions to plans in fiscal year 2020		
Pensions	1,913,121	-
OPEB	242,695	-
Prepaid taxes not yet earned (General)	-	58,399
Total	\$ 6,935,494	\$ 426,834
Deferred outflows / inflows of resources on the fund statements:		
Prepaid taxes not yet earned (General)	\$ -	\$ 58,399
FEMA revenue not yet available (General)	-	3,304,780
Taxes receivable, net (General)	-	2,431,397
Taxes receivable, net (Special Revenue)	-	652,820
Solid waste fees receivable (General)	-	579,092
Total	\$ -	\$ 7,026,488

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. In accordance with G.S. 18B-700(i), each board member and the employees designated as the general manager and finance officer are bonded in the amount of \$50,000 secured by a corporate surety.

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 commercial coverage for all risks of loss. Through this coverage, the Authority obtains general liability coverage of \$5,000,000 per occurrence and property coverage up to the total insured values of the property.

Carteret County, North Carolina

Notes to Financial Statements

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 payments are appropriated when due. In the event of a default, the County agrees to pay to the Purchaser, on demand, interest on any and all amounts due and owing by the County under this Agreement. The County's general obligation bonds payable at June 30, 2020, are comprised of the following individual issues:

\$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%	\$ 7,570,000
\$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%	7,885,000
\$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%	3,680,000
	<u>\$ 19,135,000</u>

Annual debt service requirements to maturity for general obligation bonds as of June 30, 2020, are as follows:

Year Ending June 30,	Principal	Interest
2021	\$ 2,785,000	\$ 673,989
2022	2,770,000	571,761
2023	2,755,000	469,711
2024	2,745,000	367,836
2025	2,720,000	265,886
2026 – 2030	3,980,000	406,461
2031 – 2035	1,150,000	122,188
2036	230,000	3,590
	<u>\$ 19,135,000</u>	<u>\$ 2,881,422</u>

Carteret County, North Carolina

Notes to Financial Statements

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, 2020, 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 **\$ 855,000**

Annual debt service requirements to maturity for certificates of participation as of June 30, 2020, are as follows:

Year Ending June 30,	Principal	Interest
2021	\$ 430,000	\$ 29,950
2022	425,000	12,750
	<u>\$ 855,000</u>	<u>\$ 42,700</u>

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

Installment Purchase Obligations

As authorized by State law, G.S. 160A-20 and 153A-153.1, the County has entered into various installment-financing agreements in a direct placement for equipment and capital improvements. The installment purchases issued pursuant to a deed of trust because as long as the debt is outstanding the property is pledged as collateral for the debt. The County's installment-financing agreements at June 30, 2020, 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	\$ 2,000,000
\$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	491,354
\$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	1,230,770
\$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	413,464
	<hr/> 4,135,588 <hr/>

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	93,096
\$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	840,000
	<hr/> 933,096 <hr/>
	\$ 5,068,684 <hr/>

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, 2020, are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
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	570,513	38,752	171,032	14,132	741,545	52,884
2024	429,047	16,061	140,000	9,261	569,047	25,322
2025	-	-	140,000	6,174	140,000	6,174
2026 – 2030	-	-	140,000	3,087	140,000	3,087
	<u>\$ 4,135,588</u>	<u>\$ 200,390</u>	<u>\$ 933,096</u>	<u>\$ 75,533</u>	<u>\$ 5,068,684</u>	<u>\$ 275,923</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

\$ 944,000

Annual debt service requirements to maturity for revenue bonds June 30, 2020, are as follows:

Year Ending June 30,	Principal	Interest
2021	\$ 19,000	\$ 25,960
2022	19,000	25,438
2023	20,000	24,915
2024	20,000	24,365
2025	21,000	23,815
2026-2030	113,000	110,166
2031-2035	130,000	93,665
2036-2040	149,000	74,801
2041-2045	170,000	53,212
2046-2050	196,000	28,463
2051-2052	87,000	3,601
	<u>\$ 944,000</u>	<u>\$ 488,401</u>

The County has pledged future water revenues, net of specified operating expenses, to repay the revenue bond issued on November 26, 2012. 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

Note 9. Long-Term Obligations (Continued)

The net revenues coverage calculation for the year ended June 30, 2020, is as follows:

Water Revenue Bond
Covenant Compliance Calculation

Operating revenues	\$ 693,744
Operating expenses *	<u>(744,370)</u>
Operating income	(50,626)
Nonoperating revenues (expenses)**	16,412
Nonoperating revenues (expenses)**	-
Miscellaneous revenues and transfers	<u>420,000</u>
Net revenues available for debt service	<u>\$ 385,786</u>
110% of FY 19-20 revenue bond debt service requirement	\$ 48,901
100% of FY 19-20 DENR installment loan debt service requirement	<u>199,778</u>
Total FY 19-20 debt service subject to net revenue covenant compliance	<u>\$ 248,679</u>
Debt Service coverage ratio	155%

* Per covenants, this does not include depreciation expense of \$364,887.

** Per covenants, this does not include revenue bond and installment interest paid of \$55,201.

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.

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.

Debt Related to Capital Activities – Of the total Governmental Activities debt listed only \$50,000 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, 2020:

	Beginning Balance June 30, 2019	Additions	Retirements	Ending Balance June 30, 2020	Due Within One Year
Governmental activities:					
Bonds/certificates payable:					
General obligation bonds	\$ 22,100,000	\$ -	\$ 2,965,000	\$ 19,135,000	\$ 2,785,000
Certificates of participation	1,290,000	-	435,000	855,000	430,000
Bond premiums	1,845,515	-	285,965	1,559,550	-
Total bonds payable	25,235,515	-	3,685,965	21,549,550	3,215,000
Direct placement installment purchase	5,411,102	-	1,275,514	4,135,588	565,514
Compensated absences	1,591,186	1,330,470	1,290,563	1,631,093	1,076,651
Net pension liability (LGERS)	6,492,805	1,629,017	-	8,121,822	-
Total pensions liability (LEOSSA)	1,127,500	400,961	-	1,528,461	-
Total OPEB liability	7,212,496	311,025	-	7,523,521	-
Governmental activity long-term liabilities	\$ 47,070,604	\$ 3,671,473	\$ 6,252,042	\$ 44,490,035	\$ 4,857,165
Business-type activities:					
Revenue Bond from direct placement	\$ 962,000	\$ -	\$ 18,000	\$ 944,000	\$ 19,000
Direct placement installment purchase	1,104,128	-	171,032	933,096	171,032
Compensated absences	18,675	7,188	6,517	19,346	6,355
Net pension liability (LGERS)	66,246	24,088	-	90,334	-
Total OPEB liability	81,695	446	-	82,141	-
Business-type activity long-term liabilities	\$ 2,232,744	\$ 31,722	\$ 195,549	\$ 2,068,917	\$ 196,387

Separation allowance pension obligations and net OPEB liability 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, 2020, Carteret County had a legal debt margin of \$1,185,329,133.

Component unit information:

The Hospital has several capital lease obligations for certain medical equipment and software at September 30, 2019. The leases expire at various dates through 2019 and have a present value of minimum lease payments of \$1,643,104.

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

Minimum annual lease payments for years subsequent to September 30, 2019, are as follows:

Year Ending September 30,	Amount
2020	\$ 569,555
2021	569,555
2022	569,555
2023	2,519
Total minimum lease payments	1,711,184
Less amount representing interest 2.67%	(68,080)
Present value of net minimum lease obligations	1,643,104
Less current maturities	(531,927)
Obligations under capital leases, less current maturities	<u>\$ 1,111,177</u>

Assets under capital leases had a cost basis of \$2,339,034 and accumulated depreciation on these assets of \$800,710 at September 30, 2019.

The following is a summary of changes in the Tourism Development Authority's long-term obligations for the fiscal year ended June 30, 2020.

	Beginning Balance June 30, 2019	Additions	Retirements	Ending Balance June 30, 2020	Due Within One Year
Governmental activities:					
Compensated absences	\$ 16,124	\$ 12,210	\$ -	\$ 28,334	\$ 7,084
Governmental activity long-term liabilities	<u>\$ 16,124</u>	<u>\$ 12,210</u>	<u>\$ -</u>	<u>\$ 28,334</u>	<u>\$ 7,084</u>

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

The Airport Authority's long-term obligations as of June 30, 2020 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 principal payments beginning in the fiscal year 2018.

Annual debt service payments of the installments purchase as of June 30, 2020 are as follows:

Year Ending June 30,	Amount
2021	\$ 18,477
2022	18,477
	<u>\$ 36,954</u>

Changes in long-term debt for the fiscal year ended June 30, 2020 are as follows:

	Beginning Balance June 30, 2019	Additions	Retirements	Ending Balance June 30, 2020	Due Within One Year
Governmental activities:					
Installment purchases	\$ 55,431	\$ -	\$ 18,477	\$ 36,954	\$ 18,477

The ABC Board's long-term obligations as of June 30, 2020 are as follows:

\$1,411,000 construction loan payable -held by First Citizens Bank, interest at 2.30% payable in monthly payments, balance due September 4, 2025. Collateralized by office and warehouse facility.	<u>\$ 1,103,600</u>
--	---------------------

Annual debt service principal payments of the installments purchase as of June 30, 2020 are as follow:

Year Ending June 30,	Amount
2021	\$ -
2022	-
2023	-
2024	-
2025	-
2026	1,103,600
	<u>\$ 1,103,600</u>

The ABC Board's accumulated earned vacation at June 30, 2020, amounted to approximately \$52,043. This amount is included in accounts payable.

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.

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, 2020, was 9.70% of compensation for law enforcement officers and 8.95% 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 \$1,889,036 for the year ended June 30, 2020.

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

Carteret County, North Carolina

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, 2020, the County reported a liability of \$8,212,156 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2020, the County's proportion was .301% (measured as of June 30, 2019), which was an increase of .025% from its proportion as of June 30, 2019 (measured as of June 30, 2018).

For the year ended June 30, 2020, the County recognized pension expense of \$3,765,182. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,406,129	\$ -
Changes of assumptions	1,338,445	-
Net difference between projected and actual earnings on pension plan investments	200,306	-
Changes in proportion and differences between County contributions and proportionate share of contributions	259,180	20,183
County contributions subsequent to the measurement date	1,889,036	-
Total	<u>\$ 5,093,096</u>	<u>\$ 20,183</u>

\$1,889,036 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:	
2021	\$ 1,545,468
2022	500,845
2023	853,299
2024	284,265
2025	-
Thereafter	-
	<u>\$ 3,183,877</u>

Carteret County, North Carolina

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

Actuarial Assumptions: The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 percent
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality rates based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table 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, 2018 valuation were based on the results of an actuarial experience study as of 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, 2020 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 2018 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 3.05%. All rates of return and inflation are annualized.

Discount rate: The discount rate used to measure the total pension liability was 7.00%. 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

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

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 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 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County’s proportionate share of the net pension liability (asset)	\$ 18,782,701	\$ 8,212,156	\$ (574,110)

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 the December 31, 2018 valuation date, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	3
Active plan members	64
Total	67

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

Note 10. Retirement Systems (Continued)

3. Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2018 valuation. The total pension liability was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

The discount rate used to measure the Total Pension Liability is the S&P Municipal Bond 20 Year High Grade Rate Index.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

Deaths After Retirement (Healthy): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, project forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

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

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

Deaths After Retirement (Disabled): RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 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 \$22,491 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, 2020, the County reported a total pension liability of \$1,528,461. The total pension liability was measured as of December 31, 2019, based on a December 31, 2018 actuarial valuation. For the year ended June 30, 2020 the County recognized pension expense of \$175,255.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 192,220	\$ -
Changes in assumptions	38,503	-
County benefit payments and plan administrative expense made subsequent of the measurement date	14,078	-
Total	<u>\$ 244,801</u>	<u>\$ -</u>

\$14,078 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2021	\$ 50,238
2022	50,238
2023	51,218
2024	45,439
2025	33,590
Thereafter	-
	<u>\$ 230,723</u>

\$13,078 paid as benefits came due and \$1,000 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 3.26%, 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 (2.26%) or 1 percentage-point higher (4.26%) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 1,663,204	\$ 1,528,461	\$ 1,404,908

Note 10. Retirement Systems (Continued)

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

	2020
Beginning Balance as of December 31, 2018	\$ 1,127,500
Service Cost	78,385
Interest on the total pension liability	40,632
Difference between expected and actual experience	256,196
Changes of assumptions or other inputs	48,239
Benefit payments	(22,491)
Ending balance as of December 31, 2019	<u>\$ 1,528,461</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, 2018 valuation were based on the results of an actuarial experience study completed by the Actuary for the Local Government Employees' Retirement System as of December 31, 2014.

Carteret County, North Carolina

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan description: The County contributes 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. 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 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, 2020 were \$232,216, which consisted of \$163,561 from the County and \$68,655 from law enforcement officers. No amounts were forfeited.

Supplemental Retirement Income Plan for General Employees

Plan description: Carteret County contributes 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, 2020, were \$1,375,537, which consisted of \$872,836 from the County and \$502,701 from the employees. No amounts were forfeited.

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.

Carteret County, North Carolina

Notes to Financial Statements

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 \$10,007 for the year ended June 30, 2020.

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

At June 30, 2020, the County reported an asset of \$179,186 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2019, the County's proportion was .91%, which was a decrease of .16% from its proportion measured as of June 30, 2018.

At June 30, 2020, the County recognized pension expense of \$35,228. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 8,641
Net difference between projected and actual earnings on pension plan investments	1,833	-
Changes in proportion and differences between County contributions and proportionate share of contributions	23,052	9,155
County contributions subsequent to the measurement date	10,007	-
Total	<u>\$ 34,892</u>	<u>\$ 17,796</u>

\$10,007 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, 2021. 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:

2021	\$	(4,956)
2022		9,454
2023		6,132
2024		(3,541)
2025		-
Thereafter		-
	\$	<u>7,089</u>

Actuarial Assumptions: The total pension liability in the December 31, 2018 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, 2018 valuation were based on the results of an actuarial experience study as of 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, 2020 is 1.4%.

The information above is based on 30-year expectations developed with the consulting actuary for the 2020 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

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:

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
County's proportionate share of the net pension asset	\$ 148,118	\$ 179,186	\$ 205,453

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.

The net pension liability for LGERS and ROD was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability for LEOSSA was measured as of June 30, 2019, with an actuarial valuation date of December 31, 2018. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	LGERS	LEOSSA	ROD	Total
Proportionate Share of Net Pension Liability (Asset)	\$ 8,212,156	n/a	\$ (179,186)	\$ 8,032,970
Proportion of the Net Pension Liability (Asset)	0.30071%	n/a	0.90764%	
Total Pension Liability	\$ -	\$ 1,528,461	\$ -	\$ 1,528,461
Pension Expense	\$ 3,765,182	\$ 175,255	\$ 35,228	\$ 3,975,665

Carteret County, North Carolina

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

	LGERS	LEOSSA	ROD	Total
Deferred Outflows of Resources				
Differences between expected and actual experience	\$ 1,406,129	\$ 192,220	\$ -	\$ 1,598,349
Change of assumptions	1,338,445	38,503	-	1,376,948
Net difference between projected and actual earnings on pension plan investments	200,306	-	1,833	202,139
Changes in proportion and differences between County contributions and proportionate share of contributions	259,180	-	23,052	282,232
County contributions (LGERS, ROD) / benefit payments and administration cost (LEOSSA) subsequent to the measurement date	1,889,036	14,078	10,007	1,913,121
Deferred Inflows of Resources				
Differences between expected and actual experience	\$ -	\$ -	\$ 8,641	\$ 8,641
Changes in proportion and differences between County contributions and proportionate share of contributions	20,183	-	9,155	29,338

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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

County Contributions to HCB Plan based on years of creditable service		
Retiered Employees' Years of Creditable Service	Pre-August 5, 2002	On or after August 5, 2002
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 June 30, 2019, the date of the latest actuarial valuation:

Retirees and spouses receiving benefits	37
Active plan members	433
Total	470

Total OPEB Liability

The county's total OPEB liability at June 30, 2020 of \$7,605,662 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2019.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified.

Carteret County, North Carolina

Notes to Financial Statements

Note 11. Other Post-Employment Benefits (Continued)

Inflation	2.50%
Real wage growth	1.00%
Wage inflation	3.50%
Salary increase, including wage inflation:	
General Employees	3.50% - 7.75%
Firefighters	3.50% - 7.75%
Law Enforcement Officers	3.50% - 7.35%
Municipal Bond Index Rate:	
Prior measurement date	3.89%
Measurement date	3.50%
Health Care Cost Trends:	
Pre-Medicare and Prescription Drug	7.00% for 2019 decreasing to an ultimate rate of 4.50% by 2026

The discount rate used to measure the TOL was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increased used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 - December 31, 2014, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

Changes in the Total OPEB Liability

Total OPEB Liability as of June 30, 2018	\$ 7,294,191
Changes for the year:	
Service cost at the end of the year	413,040
Interest on TOL and cash flows	276,362
Difference between expected and actual experience	(122,530)
Changes of assumptions or other inputs	127,802
Net Benefit payments and implicit subsidy credit	(383,203)
Net Changes	311,471
Total OPEB Liability as of June 30, 2019	\$ 7,605,662

The TOL is based upon an actuarial valuation performed as of the Valuation Date, June 30, 2019.

Carteret County, North Carolina

Notes to Financial Statements

Note 11. Other Post-Employment Benefits (Continued)

The actuarial study has assumed no significant changes, other than the change in the Municipal Bond Index Rate, have occurred between the Valuation Date and the Measurement Date. Since the Prior Measurement Date, the Discount Rate has changed from 3.89% to 3.50% due to a change in the Municipal Bond Rate. There are no changes in benefit terms since the Prior Measurement Date. No benefit payments are attributable to the purchase of allocated insurance contracts.

Sensitivity of the total OPEB liability to changes in the discount rate. The following present the total OPEB liability of the County, as well as what the county's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.50%) or 1-percentage-point higher (4.50) than the current discount rate:

	Discount Rate Sensitivity		
	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB Liability	\$ 8,372,677	\$ 7,605,662	\$ 6,916,282

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower of 1-percentage-point higher than the current healthcare cost trend rates:

	Health Care Cost Trend Rate Sensitivity		
	1% Decrease	Current	1% Increase
Total OPEB Liability	\$ 6,737,592	\$ 7,605,662	\$ 8,634,120

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the County recognized OPEB expense of \$610,438. At June 30, 2020, the county reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 61,430
Changes of assumptions or other inputs	-	269,026
Benefit payments and administrative costs made subsequent to the measurement date	242,695	-
Total	\$ 242,695	\$ 330,456

\$242,695 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Notes to Financial Statements

Note 11. Other Post-Employment Benefits (Continued)

Measurement Period Ended June 30:

2020	\$ (78,964)
2021	(78,964)
2022	(78,964)
2023	(70,551)
2024	(24,355)
Thereafter	1,342
	<u>(330,456)</u>

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, 2020 the County made contributions to the State for death benefits of \$18,870. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.8% and 0.14% of covered payroll, respectively.

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.

	Federal	State
Medicaid	\$ 54,107,843	\$ 24,616,433
TANF	130,674	-
WIC	655,106	-
Health Choice	1,788,513	-
IV-E Adoption Subsidy and vendor	435,547	90,679
Special Assistance	-	286,242
CWS Adoption Subsidy	-	205,838
	<u>\$ 57,117,683</u>	<u>\$ 25,199,192</u>

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, 2020. 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, 2020. 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. There is no community college debt 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 \$5,083,780 to the Community College during the fiscal year ended June 30, 2020. 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, 2020. 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.

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, 2020. During the year ended June 30, 2020, the County contributed \$1,042,500 to the library in Carteret County.

On May 20, 2019, the Board of Commissions voted to provide Craven-Pamlico-Carteret Regional Library System the required notice of its intent to withdraw from the regional system. Carteret is required to provide a 12 month notice of its intent, and effective July 1, 2020, Carteret County libraries will be a County department served by local representation, direction, staffing, and funding.

Carteret County, North Carolina

Notes to Financial Statements

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 Leases

The County has various lease commitments for various facilities and equipment. Total operating lease expenses was \$330,049 for the year ended June 30, 2020. Future minimum lease payments for the office lease are as follows:

Year ending June 30,	Annual Lease Payment
2021	\$ 177,589
2022	172,698
2023	161,922
2024	6,597
	<u>\$ 518,806</u>

The Hospital has lease commitments under various operating leases for certain medical equipment. Total rental expense under cancelable and noncancelable operating leases was approximately \$1,091,246 for the year ended September 30, 2019. The future minimum lease payments under the noncancelable operating leases are as follows:

Year Ending September 30,	Amount
2020	\$ 535,224
2021	427,203
2022	103,140
2023	85,950
Total minimum lease payments	<u>\$ 1,151,517</u>

Carteret County, North Carolina

Notes to Financial Statements

Note 16. Commitments and Contingencies (Continued)

The ABC Board has operating leases for two facilities and office equipment. The leases expire at varying times through June 30, 2027. The lease payment schedule for four non-cancellable leases are as follows:

Year ending June 30,	Annual Lease Payment
2021	\$ 111,402
2022	33,790
2023	29,840
2024	29,840
2025	29,840
Thereafter	59,679
	<u>\$ 294,391</u>

Federal and State Assisted Programs

Hurricane Florence

September 2018, Hurricane Florence made landfall in Carteret County. As of June 30, 2020, the County submitted \$15,578,798 to FEMA for reimbursement, and FEMA has approved \$15,567,194. The County has received \$11,901,628. County administrators believe the County will receive the remaining funds.

Other 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 June 15, 1976. Incidents occurring through September 30, 2018, 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.

Carteret County, North Carolina

Notes to Financial Statements

Note 16. Commitments and Contingencies (Continued)

The Airport has the following construction commitments as of June 30, 2020:

Project	Spent-To-Date	Remaining Commitment
Pavement Rehab Project	\$ 3,691,921	\$ 308,453
Fuel Farm Project	102,781	299,150
	\$ 3,794,702	\$ 607,603

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

Receivable Fund	Payable Fund	Amount
General Fund	Occupancy Tax	
	Occupancy tax distribution due to General Fund	\$ 558,907

Receivable Entity	Payable Entity	Amount
Primary government: General Fund	Component unit: Carteret County ABC Board	
	Net income distribution due to County June 30, 2020	\$ 186,352

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, 2020 are as follows:

Transfers Out	Transfers In				Total
	Major General	Major County Capital Improvements	Non-Major Governmental Funds	Major Water Fund	
Major General Fund	\$ -	\$ 9,538,894	\$ 6,060,658	\$ -	\$ 15,599,552
Major Occupancy Tax Fund	3,696,029	-	-	-	3,696,029
Major County Capital Improvements Fund	159,323	-	113,000	-	272,323
Other Governmental Funds	-	-	-	420,000	420,000
Total transfers out	\$ 3,855,352	\$ 9,538,894	\$ 6,173,658	\$ 420,000	\$ 19,987,904

Transfers consist primarily of the following:

\$ 6,060,658	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
3,696,029	Transfer from Occupancy Tax Fund in accordance with North Carolina General Statutes
9,538,894	Transfer from General Fund to County Capital Improvements Fund for various current and future capital projects and to supplement other funding sources in the special revenue and capital project funds
272,323	Transfer from County Capital Improvements fund to Other Governmental Funds to fund future capital projects
420,000	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, 2020, are as follows:

Expenditures from General Fund to Beaufort-Morehead City Airport Authority for operations and capital improvements	\$ 58,755
Expenditures from Occupancy Tax Fund to Carteret County Tourism Development Authority for portion of Room Occupancy Tax	3,613,930
	\$ 3,672,685
Profit Contributions from ABC Board to General Fund	\$ 904,636

Note 19. Pronouncements Issued, Not Yet Effective

The GASB has issued several pronouncements prior to June 30, 2020, 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.

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 31, 2020.

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 that end June 30, 2022.

In June 2018, GASB issued *Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2022.

In August 2018, GASB issued *Statement No. 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for fiscal years beginning after December 31, 2020.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. This Statement is effective for reporting periods beginning with the fiscal year that ends December 31, 2022.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. This statement is effective for reporting periods beginning after June 15, 2021.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates. The requirements of this Statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020, and did not have a material impact on the County's financial position, overall cash flow or balances or results of operations. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021.

Notes to Financial Statements

Note 19. Pronouncements Issued, Not Yet Effective (continued)

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to the public-private and public-public partnership arrangements (PPPs). This Statement is effective for reporting periods beginning after June 15, 2022.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. This Statement is effective for reporting periods beginning after June 15, 2022.

Note 20. Subsequent Events

The County has evaluated its subsequent events (events occurring after June 30, 2020) through February 25, 2021, which represents the date the financial statements were available to be issued.

On August 28, 2020 Carteret County closed on an installment financing contract lending the Carteret County Beaufort Airport Authority \$600,000. The financing is 0% interest and four years repayment schedule beginning December 2020. The purpose of the loan is construction and infrastructure improvements for an airport owned fuel farm.

On November 3 2020, Carteret County voters approved a \$42 million public school bond referendum. The \$42 million will fund capital building expansion and improvements for Carteret County Public Schools.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a “Public Health Emergency of International Concern” and on March 11, 2020, declared COVID-19 a pandemic. The extent to which the coronavirus may impact the County’s results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, amount others.

On February 15, 2021, the Board of Commissioners accepted a \$7,000,000 bid to sale the Carteret County Water System. In accordance with NCGS 160A-269, the County is utilizing the upset bid process. The sale of the water system will require approval of the NC Utilities Commission.

Required Supplemental Financial Data

(Unaudited)

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

Schedule of County Contributions (LGERS)

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

Schedule of County Contributions (ROD)

Schedule of Changes in the Total OPEB Liability

Carteret County, North Carolina

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
For Year Ended June 30, 2020**

	2020	2019	2018	2017
Beginning balance	\$1,127,500	\$ 1,108,206	\$ 968,325	\$ 912,139
Service cost	78,385	66,838	58,188	63,079
Interest on the total pension liability	40,632	34,689	37,022	32,336
Differences between expected and actual experience in the measurement of the total pension liability	256,196	(14,112)	(18,303)	-
Changes of assumptions or other inputs	48,239	(47,228)	81,366	(26,491)
Benefit payments	(22,491)	(20,893)	(18,392)	(12,738)
Ending balance of the total pension liability	\$ 1,528,461	\$ 1,127,500	\$ 1,108,206	\$ 968,325

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

The schedule is intended to show information for ten years, and additional years' information will be displayed as it becomes available.

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, 2020

	2020	2019	2018	2017
Total pension liability	\$ 1,528,461	\$ 1,127,500	\$ 1,108,206	\$ 968,325
Covered employee payroll	3,349,736	2,638,514	2,590,646	2,577,824
Total pension liability as a percentage of covered payroll	45.63%	42.73%	42.78%	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.

The schedule is intended to show information for ten years, and additional years' information will be displayed as it becomes available.

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 Seven Fiscal Years*

	2020	2019	2018
County's proportion of the net pension liability (asset) %	0.30071%	0.27648%	0.28040%
County's proportionate share of the net pension liability (asset) \$	\$ 8,212,156	\$ 6,559,051	\$ 4,283,735
County's covered payroll	20,750,389	18,490,395	18,208,239
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	39.58%	35.47%	23.53%
Plan fiduciary net position as a percentage of the total pension liability	92.00%	91.63%	94.18%

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

The schedule is intended to show information for ten years, and additional years' information will be displayed as it becomes available.

	2017	2016	2015	2014
	0.29078%	0.25893%	0.25688%	0.24810%
\$	6,171,326	\$ 1,162,062	\$ (1,514,940)	\$ 2,990,558
	17,057,781	15,801,403	14,891,061	14,737,702
	36.18%	7.35%	-10.17%	20.29%
	91.47%	98.09%	102.64%	94.35%

Carteret County, North Carolina

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

Last Seven Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 1,889,036	\$ 1,622,959	\$ 1,391,865
Contributions in relation to the contractually required contribution	1,889,036	1,622,959	1,391,865
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 21,005,204	\$ 20,750,389	\$ 18,490,395
Contributions as a percentage of covered payroll	8.99%	7.82%	7.53%

The schedule is intended to show information for ten years, and additional years' information will be displayed as it becomes available.

	2017		2016		2015		2014
\$	1,315,412	\$	1,167,788	\$	1,150,353	\$	1,062,954
	1,315,412		1,167,788		1,150,353		1,062,954
\$	-	\$	-	\$	-	\$	-
\$	18,208,239	\$	17,057,781	\$	15,801,403	\$	14,891,061
	7.22%		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 Seven Fiscal Years*

	<u>2020</u>		<u>2019</u>		<u>2018</u>
County's proportion of the net pension liability (asset) %	0.90764%		1.06630%		0.93938%
County's proportionate share of the net pension liability (asset) \$	\$ (179,186)	\$	(176,611)	\$	(160,343)
County's covered payroll	52,113		47,636		47,761
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-343.84%		-370.75%		-335.72%
Plan fiduciary net position as a percentage of the total pension liability	153.31%		153.77%		160.17%

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

The schedule is intended to show information for ten years, and additional years' information will be displayed as it becomes available.

	2017	2016	2015	2014
	1.33673%	1.09128%	1.10071%	1.12857%
\$	(249,915)	\$ (252,893)	\$ (249,489)	\$ (241,063)
	41,841	46,233	46,233	46,233
	-597.30%	-547.00%	-539.63%	-521.41%
	197.29%	193.88%	190.50%	188.75%

Carteret County, North Carolina

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

	2020	2019	2018
Contractually required contribution	\$ 10,007	\$ 8,627	\$ 9,125
Contributions in relation to the contractually required contribution	10,007	8,627	9,125
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 County's covered payroll	 \$ 54,325	 \$ 52,113	 \$ 46,025
 Contributions as a percentage of covered payroll	 18.42%	 16.55%	 19.83%

The schedule is intended to show information for ten years, and additional years' information will be displayed as it becomes available.

	2017	2016	2015	2014
\$	9,588	\$ 9,494	\$ 8,732	\$ 8,987
	9,588	9,494	8,732	8,987
\$	-	\$ -	\$ -	\$ -
\$	41,841	\$ 46,233	\$ 46,233	\$ 46,233
	22.92%	20.54%	18.89%	19.44%

Carteret County, North Carolina

**Schedule of Changes in Total OPEB Liability
For Year Ended June 30, 2020**

	Measurement Period Ending		
	2019	2018	2017
Beginning balance	\$ 7,294,191	\$ 7,230,171	\$ 7,297,781
Service cost	413,040	425,449	407,537
Interest on the total pension liability	276,362	250,233	213,683
Differences between expected and actual experience	(122,530)	26,801	40,986
Changes of assumptions or other inputs	127,802	(232,621)	(329,477)
Benefit payments	(383,203)	(405,842)	(400,339)
Ending balance of the total OPEB liability	\$ 7,605,662	\$ 7,294,191	\$ 7,230,171
Covered employee payroll	18,339,543	16,873,606	16,873,606
Total OPEB liability as a percentage of covered-employee payroll	41.47%	43.23%	42.85%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discounts rates used in each period:

Fiscal year	Measurement Period	Rate
2018	2017	3.56%
2019	2018	3.89%
2020	2019	3.50%

The schedule is intended to show information for ten years, and additional years' information will be displayed as it becomes available.

Major Governmental Funds



Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2020

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Revenues			
Ad valorem taxes:			
Current period	\$ 46,540,000	\$ 46,024,208	\$ (515,792)
Prior years	850,000	1,018,169	168,169
Interest and penalties	338,000	485,615	147,615
	<u>47,728,000</u>	<u>47,527,992</u>	<u>(200,008)</u>
Other taxes:			
ABC local bottle tax	43,000	45,335	2,335
Local option sales tax	15,800,000	16,614,267	814,267
	<u>15,843,000</u>	<u>16,659,602</u>	<u>816,602</u>
Permits and fees:			
Sheriff fees	100,000	77,591	(22,409)
Register of deeds	1,446,000	1,486,942	40,942
Franchise fees	435,000	389,294	(45,706)
Building and Inspection fees	650,000	870,580	220,580
Environmental health fees	355,000	349,301	(5,699)
Public Health fees	411,125	523,634	112,509
Other fees	74,385	136,142	61,757
	<u>3,471,510</u>	<u>3,833,484</u>	<u>361,974</u>
Intergovernmental:			
Restricted:			
Federal and State grants	12,286,463	35,965,697	23,679,234
Lottery proceeds	600,000	600,000	-
Court facilities fees	95,000	84,182	(10,818)
Unrestricted:			
Beer and wine tax	180,000	173,384	(6,616)
Payments in lieu of taxes	-	196,555	196,555
ABC profits	770,000	904,636	134,636
Croatan National Forest	41,000	39,413	(1,587)
	<u>13,972,463</u>	<u>37,963,867</u>	<u>23,991,404</u>
Sales and services:			
Solid waste	3,430,000	3,527,031	97,031
Civic center fees	250,200	216,676	(33,524)
Other	583,450	551,070	(32,380)
	<u>4,263,650</u>	<u>4,294,777</u>	<u>31,127</u>
Interest	<u>900,000</u>	<u>783,826</u>	<u>(116,174)</u>
Miscellaneous:			
Insurance proceeds	256,759	1,440,072	1,183,313
Other	79,200	233,326	154,126
	<u>335,959</u>	<u>1,673,398</u>	<u>1,337,439</u>
Total revenues	<u>86,514,582</u>	<u>112,736,946</u>	<u>26,222,364</u>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2020

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Expenditures			
General government:			
Governing body:			
Salaries and employee benefits		57,649	
Operating expenses		154,338	
Professional services		95,500	
	<u>312,030</u>	<u>307,487</u>	<u>4,543</u>
Administration:			
Salaries and employee benefits		369,743	
Operating expenses		18,821	
	<u>404,564</u>	<u>388,564</u>	<u>16,000</u>
Information systems:			
Salaries and employee benefits		687,086	
Operating expenses		1,349,040	
	<u>2,053,715</u>	<u>2,036,126</u>	<u>17,589</u>
Finance:			
Salaries and employee benefits		626,077	
Operating expenses		78,155	
	<u>749,384</u>	<u>704,232</u>	<u>45,152</u>
Human resources:			
Salaries and employee benefits		392,720	
Operating expenses		92,499	
	<u>518,456</u>	<u>485,219</u>	<u>33,237</u>
Tax and revaluation:			
Salaries and employee benefits		1,110,798	
Operating expenses		212,403	
Contract services		322,488	
	<u>1,803,560</u>	<u>1,645,689</u>	<u>157,871</u>
Legal:			
Professional services	150,000	144,042	5,958
Court facilities:			
Salaries and employee benefits		2,148	
Operating expenses		80,790	
	<u>84,235</u>	<u>82,938</u>	<u>1,297</u>
Elections:			
Salaries and employee benefits		433,671	
Operating expenses		230,360	
	<u>730,812</u>	<u>664,031</u>	<u>66,781</u>
Register of deeds:			
Salaries and employee benefits		397,322	
Operating expenses		158,062	
	<u>611,455</u>	<u>555,384</u>	<u>56,071</u>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2020

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Public buildings:			
Salaries and employee benefits		486,435	
Operating expenses		1,251,450	
	<u>1,780,194</u>	<u>1,737,885</u>	<u>42,309</u>
Total general government	9,198,405	8,751,597	446,808
Public safety:			
Sheriff:			
Salaries and employee benefits		4,685,774	
Operating expenses		714,970	
Contract services		157,890	
Capital outlay		361,860	
	<u>6,091,111</u>	<u>5,920,494</u>	<u>170,617</u>
Sheriff - Jail division:			
Salaries and employee benefits		2,322,410	
Operating expenses		1,596,335	
Contract services		318,455	
	<u>4,477,911</u>	<u>4,237,200</u>	<u>240,711</u>
Paramedic operations:			
Salaries and employee benefits		581,644	
Operating expenses		103,963	
	<u>756,192</u>	<u>685,607</u>	<u>70,585</u>
Emergency management:			
Salaries and employee benefits		273,783	
Operating expenses		91,475	
Contracted services		46,298	
	<u>437,549</u>	<u>411,556</u>	<u>25,993</u>
Rape crisis program:			
Salaries and employee benefits		242,103	
Operating expenses		25,967	
	<u>298,219</u>	<u>268,070</u>	<u>30,149</u>
Fire Marshall:			
Salaries and employee benefits		191,404	
Operating expenses		40,600	
	<u>257,139</u>	<u>232,004</u>	<u>25,135</u>
Consolidated Communications:			
Salaries and employee benefits		1,808,196	
Operating expenses		297,941	
	<u>2,154,902</u>	<u>2,106,137</u>	<u>48,765</u>
Medical examiner:			
Professional services		91,550	
	<u>95,500</u>	<u>91,550</u>	<u>3,950</u>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2020

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Animal control:			
Salaries and employee benefits		221,992	
Operating expenses		186,166	
	493,160	408,158	85,002
Total public safety	15,061,683	14,360,776	700,907
Transportation:			
Harbors:			
Operating expenses	25,000	18,248	6,752
Beaufort-Morehead City Airport Authority			
Salaries and employee benefits		48,235	
Operating expenses		154,478	
	205,767	202,713	3,054
CCATS:			
Salaries and employee benefits		715,540	
Operating expenses		205,877	
	1,223,738	921,417	302,321
Total transportation	1,454,505	1,142,378	312,127
Environmental protection:			
Forest fire control	134,925	106,795	28,130
Tri-County solid waste collections	3,229,160	3,436,077	(206,917)
Public works:			
Salaries and employee benefits		483,744	
Operating expenses		255,584	
Capital outlay		160,646	
	1,545,545	899,974	645,571
Total environmental protection	4,909,630	4,442,846	466,784
Economic and physical development:			
Economic development:			
Salaries and employee benefits		181,166	
Operating expenses		132,063	
	475,340	313,229	162,111
Beach nourishment:			
Salaries and employee benefits		146,807	
Operating expenses		13,848	
Contract services		327,871	
	551,390	488,526	62,864

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2020

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Planning and zoning:			
Salaries and employee benefits		837,795	
Operating expenses		121,092	
Contract services		68,017	
Capital outlay		23,773	
	<u>1,125,781</u>	<u>1,050,677</u>	<u>75,104</u>
General services:			
Salaries and employee benefits		116,771	
	<u>124,751</u>	<u>116,771</u>	<u>7,980</u>
Cooperative extension:			
Salaries and employee benefits		64,636	
Operating expenses		191,968	
	<u>259,658</u>	<u>256,604</u>	<u>3,054</u>
Total economic and physical development	<u>2,536,920</u>	<u>2,225,807</u>	<u>311,113</u>
Human Services:			
Health center:			
Salaries and employee benefits		2,084,941	
Operating expenses		472,866	
Capital outlay		10,683	
	<u>2,995,762</u>	<u>2,568,490</u>	<u>427,272</u>
Dental program			
Salaries and employee benefits		289,562	
Operating expenses		37,612	
	<u>374,392</u>	<u>327,174</u>	<u>47,218</u>
Women, infants, and children:			
Salaries and employee benefits		273,644	
Operating expenses		7,109	
	<u>281,309</u>	<u>280,753</u>	<u>556</u>
Environmental health:			
Salaries and employee benefits		1,051,842	
Operating expenses		100,063	
	<u>1,424,903</u>	<u>1,151,905</u>	<u>272,998</u>
Mental health:			
Mental health center and other		498,000	
Schools Drug Free Education		38,991	
Mental health, ABC		30,000	
	<u>573,000</u>	<u>566,991</u>	<u>6,009</u>
DSS administration:			
Salaries and employee benefits		7,489,081	
Operating expenses		711,664	
Capital outlay		22,338	
	<u>8,782,200</u>	<u>8,223,083</u>	<u>559,117</u>
General assistance	<u>701,000</u>	<u>452,841</u>	<u>248,159</u>
TANF Block grant:			
TANF Block grant		12,756	
Operating expenses		8,644	
	<u>101,000</u>	<u>21,400</u>	<u>79,600</u>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2020

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
DSS special assistance	1,177,000	687,775	489,225
Special projects	842,725	515,565	327,160
Other human services	548,157	516,215	31,942
Veteran services:			
Salaries and employee benefits		310,677	
Operating expenses		63,021	
	401,593	373,698	27,895
Senior center aging programs:			
Salaries and employee benefits		243,698	
Operating expenses		37,356	
Contract services		90,835	
	483,327	371,889	111,438
Total human services	18,686,368	16,057,779	2,628,589
Culture and recreation:			
Senior center:			
Salaries and employee benefits		144,147	
Operating expenses		63,837	
Contract services		11,488	
	250,473	219,472	31,001
Carteret County Library:			
Salaries and employee benefits		36,416	
Operating expenses		105,461	
Appropriations to Library Systems		1,095,575	
	1,389,475	1,237,452	152,023
Parks and recreation:			
Salaries and employee benefits		504,006	
Operating expenses		224,926	
Contract services		21,336	
	876,935	750,268	126,667
Parks and recreation maintenance:			
Salaries and employee benefits		497,314	
Operating expenses		347,720	
Capital outlay		41,165	
	922,504	886,199	36,305
Civic center:			
Salaries and employee benefits		229,076	
Operating expenses		141,461	
	410,712	370,537	40,175
Total culture and recreation	3,850,099	3,463,928	386,171

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2020

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Education:			
Public schools, current expense	23,670,000	23,670,000	-
Community college, current expense	2,615,000	2,615,000	-
Community college, capital outlay	1,427,036	1,043,780	383,256
Total education	<u>27,712,036</u>	<u>27,328,780</u>	<u>383,256</u>
Debt service:			
Principal retirement	4,787,100	4,675,514	111,586
Interest and fees	982,000	968,980	13,020
Total debt service	<u>5,769,100</u>	<u>5,644,494</u>	<u>124,606</u>
Total expenditures	<u>89,178,746</u>	<u>83,418,385</u>	<u>5,760,361</u>
Revenues (under) over expenditures	<u>(2,664,164)</u>	<u>29,318,561</u>	<u>31,982,725</u>
Other financing sources (uses)			
Transfers in (out):			
From Occupancy Tax Fund	4,024,750	3,696,029	(328,721)
From Other Funds	168,723	159,323	(9,400)
To School Project Fund	(4,091,358)	(4,091,358)	-
To Capital Improvement Fund	(9,538,894)	(9,538,894)	-
To Facilities / Debt Reserve Fund	(1,969,300)	(1,969,300)	-
Contingency reserves	(499,462)	-	499,462
Appropriated fund balance	14,569,705	-	(14,569,705)
Total other financing sources (uses)	<u>2,664,164</u>	<u>(11,744,200)</u>	<u>(14,408,364)</u>
Net change in fund balance	<u>\$ -</u>	<u>17,574,361</u>	<u>\$ 17,574,361</u>
Fund balance			
Beginning		<u>47,991,499</u>	
Ending		<u>\$ 65,565,860</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, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Intergovernmental	\$ -	\$ 32,776,020	\$ 27,345,262	\$ (5,430,758)
Interest	15,000	15,000	59,493	44,493
Miscellaneous	-	-	500	500
Total revenues	15,000	32,791,020	27,405,255	(5,385,765)
Expenditures				
Capital outlay:				
Aerial pictometry	90,000	90,000	83,754	6,246
Waterway dredging	350,000	3,669,634	2,136,480	1,533,154
Canal maintenance Hurricane Florence	-	515,005	38,250	476,755
Beach replenishment	-	30,558,809	29,629,718	929,091
Taylor Extended Care improvements	25,000	25,000	-	25,000
Cedar Point project match	60,000	60,000	-	60,000
Park improvements	30,000	121,922	-	121,922
Water Access	-	7,900,000	3,748,993	4,151,007
Western Library addition	-	46,088	46,087	1
Total expenditures	555,000	42,986,458	35,683,282	7,303,176
Revenues over (under) expenditures	(540,000)	(10,195,438)	(8,278,027)	1,917,411
Other financing sources (uses)				
Transfer from General	450,000	9,538,894	9,538,894	-
Transfer to Other Funds	-	(272,323)	(272,323)	-
Fund balance appropriated	90,000	928,867	-	(928,867)
Total other financing sources (uses)	540,000	10,195,438	9,266,571	(928,867)
Revenues and other financing sources over expenditures	\$ -	\$ -	988,544	\$ 988,544
Fund balances				
Beginning			<u>1,904,339</u>	
Ending			<u>\$ 2,892,883</u>	

Summary of Nonmajor Governmental Funds



Carteret County, North Carolina

Combining Balance Sheet - Non-major Governmental Fund Types
June 30, 2020

	Government Fund Types		
	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets			
Assets:			
Cash and investments	\$ 2,852,540	\$ 8,182,272	\$ 11,034,812
Restricted cash and investments	2,398,196	-	2,398,196
Receivables, net	1,376,101	-	1,376,101
Total assets	\$ 6,626,837	\$ 8,182,272	\$ 14,809,109
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 533,633	\$ 820,857	\$ 1,354,490
Unearned revenue	695,588	-	695,588
Total liabilities	1,229,221	820,857	2,050,078
Deferred inflows of resources	652,820	-	652,820
Fund balances:			
Restricted:			
Public safety	1,399,418	-	1,399,418
Economic development	291,818	-	291,818
Rescue protection	1,211,152	-	1,211,152
Fire protection	1,839,316	-	1,839,316
Human services	3,092	-	3,092
Committed:			
School capital	-	622,820	622,820
Assigned:			
County capital	-	6,738,595	6,738,595
Total fund balances	4,744,796	7,361,415	12,106,211
Total liabilities, deferred inflows of resources, and fund balances	\$ 6,626,837	\$ 8,182,272	\$ 14,809,109

Carteret County, North Carolina

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
 Non-major Governmental Fund Types
 Year Ended June 30, 2020

	Government Fund Types		
	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues			
Ad valorem taxes	\$ 7,392,106	\$ -	\$ 7,392,106
Other taxes	2,447,242	-	2,447,242
Intergovernmental	1,287,519	2,443	1,289,962
Interest	55,905	78,349	134,254
Total revenues	11,182,772	80,792	11,263,564
Expenditures			
Current:			
Public safety	9,528,768	-	9,528,768
Economic and physical development	1,432	-	1,432
Human services	684,761	-	684,761
Capital outlay	-	5,097,690	5,097,690
Total expenditures	10,214,961	5,097,690	15,312,651
Revenues over (under) expenditures	967,811	(5,016,898)	(4,049,087)
Other financing sources (uses)			
Sale of capital assets	-	96,150	96,150
Transfers in	78,000	6,095,658	6,173,658
Transfers out	(420,000)	-	(420,000)
Total other financing sources (uses)	(342,000)	6,191,808	5,849,808
Net change in fund balance	625,811	1,174,910	1,800,721
Fund balances			
Beginning	4,118,985	6,186,505	10,305,490
Ending	\$ 4,744,796	\$ 7,361,415	\$ 12,106,211

Non-major Special Revenue Funds

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.

Carteret County, North Carolina

Non-major Special Revenue Funds

Combining Balance Sheet

June 30, 2020

	Rescue Squad Fund	Fire District Fund	Emergency Telephone System Fund
Assets			
Cash and investments	\$ -	\$ -	\$ 1,399,666
Restricted cash and investments	955,679	1,442,517	-
Receivables:			
Property taxes receivable, net	242,732	379,628	-
Accounts receivable	264,115	398,441	31,037
Total assets	\$ 1,462,526	\$ 2,220,586	\$ 1,430,703
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 8,642	\$ 1,642	\$ 31,285
Unearned revenue	-	-	-
Total liabilities	8,642	1,642	31,285
Deferred inflows of resources	242,732	379,628	-
Fund balances:			
Restricted:			
Public safety	-	-	1,399,418
Economic development	-	-	-
Rescue protection	1,211,152	-	-
Fire protection	-	1,839,316	-
Human Services	-	-	-
Total fund balances	1,211,152	1,839,316	1,399,418
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,462,526	\$ 2,220,586	\$ 1,430,703

Salter Path District Fund	Water Tax District Fund	CARES Relief Fund	2019 CDBG Neighborhood Revitalization Fund	Totals
\$ 87,008	\$ 175,244	\$ 1,190,622	\$ -	\$ 2,852,540
-	-	-	-	2,398,196
-	30,460	-	-	652,820
588	29,100	-	-	723,281
\$ 87,596	\$ 234,804	\$ 1,190,622	\$ -	\$ 6,626,837

\$ -	\$ 122	\$ 491,942	\$ -	\$ 533,633
-	-	695,588	-	695,588
-	122	1,187,530	-	1,229,221
-	30,460	-	-	652,820

-	-	-	-	1,399,418
87,596	204,222	-	-	291,818
-	-	-	-	1,211,152
-	-	-	-	1,839,316
-	-	3,092	-	3,092
87,596	204,222	3,092	-	4,744,796
\$ 87,596	\$ 234,804	\$ 1,190,622	\$ -	\$ 6,626,837

Carteret County, North Carolina

Non-major Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2020

	Rescue Squad Fund	Fire District Fund	Emergency Telephone System Fund
Revenues			
Ad valorem taxes	\$ 2,857,209	\$ 4,222,486	\$ -
Other taxes	938,233	1,404,928	-
Intergovernmental	103,895	126,415	372,448
Interest	13,060	19,000	16,766
Total revenues	3,912,397	5,772,829	389,214
Expenditures			
Public safety	3,782,322	5,454,997	291,449
Economic and physical development	-	-	-
Human Services	-	-	-
Total expenditures	3,782,322	5,454,997	291,449
Revenues over expenditures	130,075	317,832	97,765
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	130,075	317,832	97,765
Fund balances			
Beginning	1,081,077	1,521,484	1,301,653
Ending	\$ 1,211,152	\$ 1,839,316	\$ 1,399,418

Salter Path District Fund	Water Tax District Fund	CARES Relief Fund	2019 CDBG Neighborhood Revitalization Fund	Totals
\$ 6,372	\$ 306,039	\$ -	\$ -	\$ 7,392,106
2,233	101,848	-	-	2,447,242
-	-	684,761	-	1,287,519
846	3,141	3,092	-	55,905
9,451	411,028	687,853	-	11,182,772
-	-	-	-	9,528,768
5	1,427	-	-	1,432
-	-	684,761	-	684,761
5	1,427	684,761	-	10,214,961
9,446	409,601	3,092	-	967,811
78,000	-	-	-	78,000
-	(420,000)	-	-	(420,000)
78,000	(420,000)	-	-	(342,000)
87,446	(10,399)	3,092	-	625,811
150	214,621	-	-	4,118,985
\$ 87,596	\$ 204,222	\$ 3,092	\$ -	\$ 4,744,796

Carteret County, North Carolina

Rescue Squad Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes	\$ 2,764,410	\$ 2,857,209	\$ 92,799
Other taxes:			
Local option sales tax	785,000	938,233	153,233
Intergovernmental	56,031	103,895	47,864
Interest	-	13,060	13,060
Total revenues	3,605,441	3,912,397	306,956
Expenditures			
Public safety:			
Beaufort	899,535	902,424	(2,889)
Broad and Gales Creek	322,435	324,048	(1,613)
Mill Creek	139,650	140,321	(671)
Mitchell Village	142,660	143,187	(527)
Otway	336,560	337,863	(1,303)
Sea Level	255,135	255,921	(786)
Western Carteret	702,980	706,133	(3,153)
District hurricane reimbursements	65,031	55,734	9,297
District reserves	179,086	164,691	14,395
Local sales tax	752,000	752,000	-
Total expenditures	3,795,072	3,782,322	12,750
Revenues (under) over expenditures	(189,631)	130,075	319,706
Other financing sources			
Fund balance appropriated	189,631	-	(189,631)
Revenues and other financing sources over expenditures	\$ -	130,075	\$ 130,075
Fund balances			
Beginning		1,081,077	
Ending		<u>\$ 1,211,152</u>	

Carteret County, North Carolina

Fire District Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes	\$ 4,071,020	\$ 4,222,486	\$ 151,466
Other taxes:			
Local option sales tax	1,218,700	1,404,928	186,228
Intergovernmental	32,660	126,415	93,755
Interest	-	19,000	19,000
Total revenues	5,322,380	5,772,829	450,449
Expenditures			
Public safety:			
Fire Districts:			
Atlantic	69,145	69,349	(204)
Beaufort	322,940	324,344	(1,404)
Broad and Gales Creek	302,000	303,613	(1,613)
Cedar Island	46,000	46,135	(135)
Davis	50,580	50,808	(228)
Harkers Island	361,370	362,236	(866)
Harlowe	78,915	79,226	(311)
Marshallberg	183,745	184,403	(658)
Mill Creek	39,385	39,623	(238)
Mitchell Village, Crab Point	366,840	368,176	(1,336)
Newport	520,500	523,606	(3,106)
North River	42,890	43,070	(180)
Otway	196,820	197,654	(834)
Salter Path	85,000	85,148	(148)
Sea Level	48,210	48,295	(85)
South River	101,315	101,531	(216)
Stacy	22,620	22,705	(85)
Stella	233,380	236,011	(2,631)
Western Carteret	704,625	707,540	(2,915)
Wildwood	590,295	592,341	(2,046)
Districts hurricane reimbursements	47,660	32,658	15,002
District reserves	440,840	200,825	240,015
Local sales tax	835,700	835,700	-
Total expenditures	5,690,775	5,454,997	235,778
Revenues (under) over expenditures	(368,395)	317,832	686,227
Other financing sources			
Fund balance appropriated	368,395	-	(368,395)
Revenues and other financing sources over expenditures	\$ -	317,832	\$ 317,832
Fund balances			
Beginning		1,521,484	
Ending		<u>1,839,316</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, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues			
Intergovernmental	\$ 372,450	\$ 372,448	\$ (2)
Interest	9,355	16,766	7,411
Total revenues	381,805	389,214	7,409
Expenditures			
Public safety:			
Operating expenses	241,500	137,128	104,372
Contracted services	175,000	154,321	20,679
Capital outlay	14,500	-	14,500
Total expenditures	431,000	291,449	139,551
Revenues (under) over expenditures	(49,195)	97,765	146,960
Other financing sources			
Fund balance appropriated	49,195	-	(49,195)
Total other financing sources	49,195	-	(49,195)
Revenues and other financing sources over expenditures	\$ -	97,765	\$ 97,765
Fund balances			
Beginning		1,301,653	
Ending		<u>\$ 1,399,418</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, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes	\$ 7,000	\$ 6,372	\$ (628)
Other taxes:			
Local option sales tax	2,100	2,233	133
Interest	300	846	546
Total revenues	9,400	9,451	51
Expenditures			
Economic and physical development:			
Beach nourishment	78,000	5	77,995
Total expenditures	78,000	5	77,995
Revenues (under) over expenditures	(68,600)	9,446	78,046
Other financing sources (uses)			
Transfers in	78,000	78,000	-
Transfers out	(9,400)	-	9,400
Total other financing sources (uses)	68,600	78,000	9,400
Revenues under other financing sources (uses)	\$ -	87,446	\$ 87,446
Fund balances			
Beginning		150	
Ending		\$ 87,596	

Carteret County, North Carolina

Water Tax District Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes	\$ 292,000	\$ 306,039	\$ 14,039
Other taxes			
Local option sales tax	100,000	101,848	1,848
Interest	6,000	3,141	(2,859)
Total revenues	398,000	411,028	13,028
Expenditures			
Economic and Physical Development			
Operating expenses	3,000	1,427	1,573
Total expenditures	3,000	1,427	1,573
Revenues over expenditures	395,000	409,601	14,601
Other financing sources (uses)			
Transfers out	(420,000)	(420,000)	-
Fund balance appropriated	25,000	-	(25,000)
Total other financing sources (uses)	(395,000)	(420,000)	(25,000)
Revenues (under) other financing sources (uses)	\$ -	(10,399)	\$ (10,399)
Fund balances			
Beginning		214,621	
Ending		<u>\$ 204,222</u>	

Carteret County, North Carolina

CARES Relief Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and the Year Ended June 30, 2020

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
Revenues				
Intergovernmental:				
CARES Recovery Act	\$ 1,380,349	\$ -	\$ 684,761	\$ 684,761
Interest	-	-	3,092	3,092
Total revenues	1,380,349	-	687,853	687,853
Expenditures				
Human Services:				
Supplies	338,129	-	31,380	31,380
Small Equipment	357,220	-	106,702	106,702
Maintenance	584,750	-	546,679	546,679
Equipment	100,250	-	-	-
Total expenditures	1,380,349	-	684,761	684,761
Revenues over expenditures	\$ -	\$ -	3,092	\$ 3,092
Fund balances				
Beginning			-	
Ending			<u>\$ 3,092</u>	

Carteret County, North Carolina

2019 CDBG Neighborhood Revitalization

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and the Year Ended June 30, 2020

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
Revenues				
Intergovernmental:				
2019 CDBG-NR neighborhood revitalization	\$ 750,000	\$ -	\$ -	\$ -
Total revenues	750,000	-	-	-
Expenditures				
Economic and physical development:				
2019 CDBG - NR				
C-1 private rehabilitation	680,000	-	-	-
C-1 Administration	70,000	-	-	-
Total expenditures	750,000	-	-	-
 Revenues over expenditures	 \$ -	 \$ -	 -	 \$ -
Fund balances				
Beginning			-	
Ending			\$ -	

Non-major Capital Projects Funds

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

Carteret County, North Carolina

Non-major Capital Projects Fund

Combining Balance Sheet
June 30, 2020

	County Capital Reserve Fund	County Facilities Debt Reserve Fund	School Special Projects Fund
Assets			
Cash and investments	\$ 1,090,357	\$ 5,646,751	\$ 1,116,550
Total assets	1,090,357	5,646,751	1,116,550
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 493,730
Total liabilities	-	-	493,730
Fund balances :			
Committed:			
School capital	-	-	622,820
Assigned:			
County capital	1,090,357	5,646,751	-
Total fund balances	1,090,357	5,646,751	622,820
Total liabilities and fund balances	\$ 1,090,357	\$ 5,646,751	\$ 1,116,550

County Construction Projects Fund	Carteret Community College Fund	Totals
\$ 2,087	\$ 326,527	\$ 8,182,272
2,087	326,527	8,182,272

\$ 600	\$ 326,527	\$ 820,857
600	326,527	820,857

-	-	622,820
1,487	-	6,738,595
1,487	-	7,361,415
\$ 2,087	\$ 326,527	\$ 8,182,272

Carteret County, North Carolina

Non-major Capital Projects Fund

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2020

	County Capital Reserve Fund	County Facilities / Debt Reserve Fund	School Special Projects Fund
Revenues			
Intergovernmental	\$ -	\$ -	\$ 2,443
Interest	13,449	58,816	5,997
Total revenues	13,449	58,816	8,440
Expenditures			
Capital outlay	-	-	3,639,090
Revenues over (under) expenditures	13,449	58,816	(3,630,650)
Other financing sources			
Sale of capital assets	96,150	-	-
Transfers in	-	1,969,300	4,091,358
Total other financing sources	96,150	1,969,300	4,091,358
Revenues and other financing sources over (under) expenditures	109,599	2,028,116	460,708
Fund balances			
Beginning	980,758	3,618,635	162,112
Ending	\$ 1,090,357	\$ 5,646,751	\$ 622,820

County Construction Projects Fund	Carteret Community College Fund	Totals
\$ -	\$ -	\$ 2,443
87	-	78,349
87	-	80,792
33,600	1,425,000	5,097,690
(33,513)	(1,425,000)	(5,016,898)
-	-	96,150
35,000	-	6,095,658
35,000	-	6,191,808
1,487	(1,425,000)	1,174,910
-	1,425,000	6,186,505
\$ 1,487	\$ -	\$ 7,361,415

Carteret County, North Carolina

County Capital Reserve Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2020

	Budget	Actual	Variance Positive
Revenues			
Interest	\$ -	\$ 13,449	\$ 13,449
Total revenues	<u>-</u>	<u>13,449</u>	<u>13,449</u>
Other financing sources			
Sale of capital assets	-	96,150	96,150
Total other financing sources	<u>-</u>	<u>96,150</u>	<u>96,150</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>109,599</u>	<u>\$ 109,599</u>
Fund balances			
Beginning		<u>980,758</u>	
Ending		<u>\$ 1,090,357</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, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues			
Interest	\$ -	\$ 58,816	\$ 58,816
Total revenues	-	58,816	58,816
Expenditures			
Capital outlay:			
Future Projects / Capital Debt	1,969,300	-	1,969,300
Total expenditures	1,969,300	-	1,969,300
Revenues (under) over expenditures	(1,969,300)	58,816	2,028,116
Other financing sources			
Transfer from General Fund	1,969,300	1,969,300	-
Total other financing sources	1,969,300	1,969,300	-
Revenues and other financing sources over expenditures	\$ -	2,028,116	\$ 2,028,116
Fund balances			
Beginning		3,618,635	
Ending		<u>\$ 5,646,751</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, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues			
Intergovernmental	\$ -	\$ 2,443	\$ 2,443
Interest	15,000	5,997	(9,003)
Total revenues	15,000	8,440	(6,560)
Expenditures			
Capital outlay, Board of Education	4,163,351	3,639,090	524,261
Revenues (under) expenditures	(4,148,351)	(3,630,650)	517,701
Other financing sources			
Transfer from other funds	4,091,358	4,091,358	-
Fund balance appropriated	56,993	-	(56,993)
Total other financing sources	4,148,351	4,091,358	(56,993)
Revenues and other financing sources over expenditures	\$ -	460,708	\$ 460,708
Fund balances			
Beginning		162,112	
Ending		<u>\$ 622,820</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, 2020**

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
Revenues				
Interest	\$ -	\$ -	\$ 87	\$ 87
Total revenues	-	-	87	87
Expenditures				
Capital outlay:				
Professional services / design	35,000	-	33,600	33,600
Total Expenditures	35,000	-	33,600	33,600
Revenue under expenditures	(35,000)	-	(33,513)	(33,513)
Other financing sources				
Transfer in from other funds	35,000	-	35,000	35,000
Total other financing sources	35,000	-	35,000	35,000
Revenue and other financing sources over expenditures	\$ -	\$ -	1,487	\$ 1,487
Fund balance				
Beginning			-	
Ending			<u>\$ 1,487</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, 2020

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
Expenditures				
Capital outlay:				
Building Improvements	\$ 1,425,000	\$ -	\$ 1,425,000	\$ 1,425,000
Land	735,000	735,000	-	735,000
Total expenditures	2,160,000	735,000	1,425,000	2,160,000
Revenues (under) expenditures	(2,160,000)	(735,000)	(1,425,000)	(2,160,000)
Other financing sources				
Transfer from other funds	2,160,000	2,160,000	-	2,160,000
Revenues and other financing sources over (under) expenditures	\$ -	\$ 1,425,000	(1,425,000)	\$ -
Fund balances				
Beginning			1,425,000	
Ending			\$ -	

Enterprise Fund



Carteret County, North Carolina

Water Operating Fund

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues, Operating			
Charges for services	\$ 702,900	\$ 676,001	\$ (26,899)
Intergovernmental	3,845	7,515	3,670
Other operating revenue	-	10,228	10,228
Total operating revenues	706,745	693,744	(13,001)
Expenditures, Operating			
Cost of sales and services:			
Salaries and benefits	348,035	343,964	4,071
Operating expense	529,200	400,406	128,794
Total operating expenditures	877,235	744,370	132,865
Operating revenues over (under) operating expenditures	(170,490)	(50,626)	119,864
Nonoperating Revenues (Expenditures)			
Interest earnings	7,500	16,412	8,912
Interest payments	(56,800)	(55,201)	1,599
Principal payments	(189,080)	(189,032)	48
Total nonoperating revenues (expenditures)	(238,380)	(227,821)	10,559
Revenues under expenditures	(408,870)	(278,447)	130,423
Other Financing Sources (Uses)			
Transfer from other funds	420,000	420,000	-
Contingency	(14,230)	-	14,230
Appropriated Fund Balance	3,100	-	(3,100)
Total other financing sources	408,870	420,000	11,130
Revenues and other financing sources over expenditures and other financing sources (uses)	\$ -	\$ 141,553	\$ 141,553

Reconciliation of modified accrual basis to full accrual basis:

Revenues and other financing uses over expenditures	\$ 141,553
Decrease in debt interest accrued	853
Increase in accrued vacation pay	(671)
Depreciation	(364,887)
Increase in deferred outflows of resources pensions	1,885
Decrease in deferred outflows of resources OPEB	(1,249)
Increase in net pension liability	(24,088)
Increase in OPEB liability	(446)
Decrease in deferred inflows of resources pensions	427
Decrease in deferred inflows of resources OPEB	1,713
Principal on debt	189,032
Change in net position	\$ (55,878)



Agency Funds



Carteret County, North Carolina

Agency Funds

**Combining Statement of Changes in Fiduciary Net Position
June 30, 2020**

	Sheriff's Department Fund	Social Services Trust Fund	Deed of Trust Agency	Cooperative Extension Agency	Totals
Assets					
Cash	<u>\$ 25,040</u>	<u>\$ 126,354</u>	<u>\$ 7,725</u>	<u>\$ 11,458</u>	<u>\$ 170,577</u>
Liabilities					
Accounts payable and accrued liabilities	<u>\$ 25,040</u>	<u>\$ 126,354</u>	<u>\$ 7,725</u>	<u>\$ 11,458</u>	<u>\$ 170,577</u>

Carteret County, North Carolina

Agency Funds

**Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2020**

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Sheriff's Department Fund:				
Assets, cash	\$ 25,903	\$ 260,249	\$ 261,112	\$ 25,040
Liabilities	\$ 25,903	\$ 260,249	\$ 261,112	\$ 25,040
Social Services Trust Fund:				
Assets, cash	\$ 102,261	\$ 358,726	\$ 334,633	\$ 126,354
Liabilities	\$ 102,261	\$ 358,726	\$ 334,633	\$ 126,354
Deed of Trust Agency:				
Assets, cash	\$ 4,476	\$ 79,441	\$ 76,192	\$ 7,725
Liabilities	\$ 4,476	\$ 79,441	\$ 76,192	\$ 7,725
Cooperative Extension Agency:				
Assets, cash	\$ 14,543	\$ 2,909	\$ 5,994	\$ 11,458
Liabilities	\$ 14,543	\$ 2,909	\$ 5,994	\$ 11,458
Totals - All Agency Funds:				
Assets, cash	\$ 147,183	\$ 701,325	\$ 677,931	\$ 170,577
Liabilities:				
Accounts payable and accrued liabilities	\$ 147,183	\$ 701,325	\$ 677,931	\$ 170,577

Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

**Comparative Schedules by Source
June 30, 2020**

	2020	2019
Governmental funds capital assets:		
Land, airport	\$ 169,549	\$ 169,549
Land, other	9,287,100	5,484,231
Construction in progress	33,600	378,257
Buildings	28,499,423	28,499,423
Vehicles	6,360,400	6,407,705
Equipment	6,492,485	6,367,827
Airport facilities	1,524,747	1,524,747
Other improvements	11,000,148	10,649,804
Leasehold improvements	2,590,428	2,590,428
Total governmental funds capital assets	\$ 65,957,880	\$ 62,071,971
Investment in governmental funds capital assets		
General Fund	\$ 52,626,807	\$ 52,569,578
Capital Project Funds	13,331,073	9,502,393
Total investment in governmental funds capital assets	\$ 65,957,880	\$ 62,071,971

Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

**Schedule by Function and Activity
June 30, 2020**

Function and Activity	Land	Buildings	Vehicles	Equipment
General Government:				
County Administration	\$ -	\$ -	\$ -	\$ 25,802
Tax Administration	289,817	114,001	115,516	244,283
Register of Deeds	-	17,665	-	182,135
Elections	-	-	-	687,837
Information Technology	-	-	-	1,863,294
Public Buildings	1,479,349	5,861,108	259,361	6,394
Other	-	-	-	7,202
Total General Government	1,769,166	5,992,774	374,877	3,016,947
Public Safety:				
Law Enforcement	417,991	8,614,309	2,373,048	190,873
Emergency Services	43,000	80,699	483,014	1,329,575
Total Public Safety	460,991	8,695,008	2,856,062	1,520,448
Transportation	230,589	-	1,087,864	-
Environmental Protection	153,877	2,738,447	631,917	456,828
Economic and Physical Development	486,287	-	187,312	108,619
Human Services	303,778	7,240,066	963,279	549,425
Culture and Recreation	6,051,961	3,833,128	259,089	840,218
Total governmental funds capital assets	\$ 9,456,649	\$ 28,499,423	\$ 6,360,400	\$ 6,492,485

Airport Facilities	Other Improvements	Leasehold Improvements	Construction in Progress	Total
\$ -	\$ -	\$ -	\$ -	\$ 25,802
-	-	-	-	763,617
-	16,000	-	-	215,800
-	-	-	-	687,837
-	-	-	-	1,863,294
-	2,089,997	-	33,600	9,729,809
-	-	-	-	7,202
-	2,105,997	-	33,600	13,293,361
-	249,590	-	-	11,845,811
-	-	1,108,727	-	3,045,015
-	249,590	1,108,727	-	14,890,826
1,524,747	41,142	-	-	2,884,342
-	97,560	-	-	4,078,629
-	-	-	-	782,218
-	-	-	-	9,056,548
-	8,505,859	1,481,701	-	20,971,956
\$ 1,524,747	\$ 11,000,148	\$ 2,590,428	\$ 33,600	\$ 65,957,880

Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes by Function and Activity
Year Ended June 30, 2020

Function and Activity	Governmental Funds				Governmental Funds
	Capital Assets June 30, 2019	Additions	Deductions	Transfers	Capital Assets June 30, 2020
General Government:					
County administration	\$ 25,802	\$ -	\$ -	\$ -	\$ 25,802
Tax administration	763,617	-	-	-	763,617
Register of Deeds	215,800	-	-	-	215,800
Elections	687,837	-	-	-	687,837
Information technology	1,854,687	39,006	30,399	-	1,863,294
Public buildings	9,696,209	33,600	-	-	9,729,809
Other	7,202	-	-	-	7,202
Total General Government	13,251,154	72,606	30,399	-	13,293,361
Public Safety:					
Law enforcement	11,626,098	361,863	142,150	-	11,845,811
Emergency services	3,083,174	11,386	49,545	-	3,045,015
Total Public Safety	14,709,272	373,249	191,695	-	14,890,826
Transportation	3,141,431	-	257,089	-	2,884,342
Environmental protection	3,995,469	160,645	77,485	-	4,078,629
Economic and physical development	778,569	23,773	20,124	-	782,218
Human services	9,043,859	33,020	20,331	-	9,056,548
Culture and recreation	17,152,217	3,836,246	16,507	-	20,971,956
Total governmental funds capital assets	\$ 62,071,971	\$ 4,499,539	\$ 613,630	\$ -	\$ 65,957,880

Other Financial Information

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

Carteret County, North Carolina

**Schedule of Ad Valorem Taxes Receivable
June 30, 2020**

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections	Adjustments	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 47,201,126	\$ 46,024,208	\$ (274,323)	\$ 902,595
2018-2019	995,924	-	519,344	(44,595)	431,985
2017-2018	515,040	-	158,245	(39,000)	317,795
2016-2017	373,536	-	98,313	(37,598)	237,625
2015-2016	239,956	-	45,351	(34,140)	160,465
2014-2015	191,985	-	62,373	(3,862)	125,750
2013-2014	156,335	-	38,836	(2,536)	114,963
2012-2013	149,001	-	32,377	(2,661)	113,963
2011-2012	116,410	-	29,880	(3,322)	83,208
2010-2011	53,602	-	18,356	(34,051)	1,195
2009-2010	43,687	-	15,094	(27,223)	1,370
	<u>\$ 2,835,476</u>	<u>\$ 47,201,126</u>	<u>\$ 47,042,377</u>	<u>\$ (503,311)</u>	<u>2,490,914</u>
Less write-off 2009-2010 tax year					<u>(1,370)</u>
					2,489,544
Less allowance for uncollectible ad valorem taxes receivable					<u>58,147</u>
Net property taxes receivable - General Fund					<u>\$ 2,431,397</u>
Reconciliation with revenue:					
Ad valorem taxes - General Fund					<u>\$ 47,042,377</u>
Interest collected - General Fund					<u>485,615</u>
Total Collections					<u>\$ 47,527,992</u>

Carteret County, North Carolina

Analysis of Current Year's Tax Levy
Year Ended June 30, 2020

	County Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 15,226,169,677	0.31	\$ 47,201,126	\$ 44,567,083	\$ 2,634,043
Total	15,226,169,677		47,201,126	44,567,083	2,634,043
Discoveries:					
Current year taxes	15,125,161		46,888	46,888	-
Corrections	(7,180,968)		(22,261)	(22,261)	-
Total	7,944,193		24,627	24,627	-
Abatements	(96,435,484)		(298,950)	(298,950)	-
Total property valuation	\$ 15,137,678,386				
Net levy-General Fund			46,926,803	44,292,760	2,634,043
Uncollected taxes at June 30, 2020 - General Fund			902,595	902,595	-
Current year's taxes collected - General Fund			\$ 46,024,208	\$ 43,390,165	\$ 2,634,043
Current levy collection percentage - General Fund			98.08%	97.96%	100.00%



Statistical Section (Unaudited)

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.

Contents	Page
Financial Trends	166
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	178
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	190
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.	
Demographic and Economic Information	197
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	200
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			
	2011	2012	2013	2014
Governmental activities				
Net investment in capital assets	\$ 26,022,027	\$ 26,469,612	\$ 25,250,857	\$ 23,480,626
Restricted	24,524,242	24,685,705	17,586,592	20,852,514
Unrestricted	(41,158,484)	(33,049,640)	(23,716,266)	(14,716,290)
Total governmental activities net position	\$ 9,387,785	\$ 18,105,677	\$ 19,121,183	\$ 29,616,850
Business-type activities				
Net investment in capital assets	\$ 4,079,804	\$ 5,416,107	\$ 5,558,997	\$ 5,353,434
Unrestricted	516,359	(851,225)	656,050	700,030
Total business-type activities	\$ 4,596,163	\$ 4,564,882	\$ 6,215,047	\$ 6,053,464
Primary government				
Net investment in capital assets	\$ 30,101,831	\$ 31,885,719	\$ 30,809,854	\$ 28,834,060
Restricted	24,524,242	24,685,705	17,586,592	20,852,514
Unrestricted	(40,642,125)	(33,900,865)	(23,060,216)	(14,016,260)
Total primary government net position	\$ 13,983,948	\$ 22,670,559	\$ 25,336,230	\$ 35,670,314

Schedule 1

2015	2016	2017	2018	2019	2020
\$ 22,736,938	\$ 24,089,921	\$ 22,009,903	\$ 22,912,344	\$ 22,984,640	\$ 24,982,364
23,967,802	31,480,559	31,325,245	31,744,580	25,009,402	42,439,846
(8,948,033)	(9,879,406)	(3,998,944)	(281,156)	31,040	8,020,462
\$ 37,756,707	\$ 45,691,074	\$ 49,336,204	\$ 54,375,768	\$ 48,025,082	\$ 75,442,672
\$ 5,133,724	\$ 4,900,315	\$ 4,721,740	\$ 4,581,483	\$ 4,422,243	\$ 4,246,388
816,057	908,143	913,436	835,400	973,978	1,093,955
\$ 5,949,781	\$ 5,808,458	\$ 5,635,176	\$ 5,416,883	\$ 5,396,221	\$ 5,340,343
\$ 27,870,662	\$ 28,990,236	\$ 26,731,643	\$ 27,493,827	\$ 27,406,883	\$ 29,228,752
23,967,802	31,480,559	31,325,245	31,744,580	25,009,402	42,439,846
(8,131,976)	(8,971,263)	(3,085,508)	554,244	1,005,018	9,114,417
\$ 43,706,488	\$ 51,499,532	\$ 54,971,380	\$ 59,792,651	\$ 53,421,303	\$ 80,783,015

Carteret County, North Carolina

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

	Fiscal Year			
	2011	2012	2013	2014
Expenses				
Governmental activities:				
General government	\$ 6,290,765	\$ 5,926,629	\$ 5,946,901	\$ 6,442,611
Public safety	19,094,741	17,566,816	18,335,600	18,792,650
Transportation	1,107,365	1,288,106	2,447,821	1,076,768
Economic and physical development	4,925,627	6,917,827	12,020,756	5,031,505
Environmental protection	3,274,042	4,032,723	3,150,593	3,158,629
Human Services	15,713,990	15,880,099	15,277,891	15,324,864
Cultural and recreation	2,108,234	3,469,307	3,485,610	3,783,152
Education	28,623,466	25,368,980	25,364,930	24,135,533
Interest on long term debt	3,087,406	2,794,930	2,095,322	2,097,621
Total governmental activities	84,225,636	83,245,417	88,125,424	79,843,333
Business-type activities:				
Water	849,324	815,298	909,307	1,027,308
Total primary government expenses	\$ 85,074,960	\$ 84,060,715	\$ 89,034,731	\$ 80,870,641

(Continued)

	2015	2016	2017	2018	2019	2020
\$	6,949,982	\$ 7,278,369	\$ 9,236,447	\$ 8,144,384	\$ 9,357,478	\$ 9,600,044
	19,162,990	18,561,573	20,595,208	20,981,474	23,453,487	25,184,103
	1,442,425	1,066,561	1,837,842	1,628,539	1,841,321	3,545,761
	5,538,785	7,064,127	5,691,825	6,248,400	23,043,843	35,662,784
	3,417,029	2,060,267	3,671,733	3,835,482	18,482,660	4,381,762
	15,635,355	16,754,822	16,666,930	15,878,033	16,619,956	17,824,420
	3,711,166	4,452,951	4,222,782	4,159,922	4,375,740	4,102,082
	27,466,650	27,494,565	31,315,293	29,442,864	28,549,195	32,392,870
	1,596,808	1,594,653	1,452,491	1,284,366	1,100,892	912,665
	84,921,190	86,327,888	94,690,551	91,603,464	126,824,572	133,606,491
	983,971	1,045,568	1,118,055	1,259,889	1,159,290	1,186,034
\$	85,905,161	\$ 87,373,456	\$ 95,808,606	\$ 92,863,353	\$ 127,983,862	\$ 134,792,525

Carteret County, North Carolina

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

	Fiscal Year			
	2011	2012	2013	2014
Program Revenues				
Governmental activities				
Charges for services:				
General government	\$ 1,486,751	\$ 1,642,152	\$ 1,638,250	\$ 1,552,817
Public safety	186,134	173,546	308,908	293,299
Transportation	327,244	225,239	184,316	193,228
Economic and physical development	511,550	575,489	611,160	513,351
Environmental protection	2,214,925	2,189,986	2,198,355	2,398,662
Human services	330,817	346,126	334,799	370,946
Cultural and recreation	238,376	277,774	252,227	269,228
Operating grants and contributions:				
General government	-	5,465	22,592	-
Public safety	1,725,254	1,438,146	1,067,750	1,150,055
Transportation	162,064	352,943	525,199	643,090
Economic and physical development	129,447	889,989	1,103,253	119,025
Environmental protection	15,542	859,246	3,885	406,301
Human services	9,274,540	9,074,506	9,652,900	9,349,318
Cultural and recreation	3,242	405	1,280	26,761
Education	255,946	53,241	71,025	45,159
Interest on long term debt	800,000	988,351	965,660	921,831
Capital grants and contributions:				
Public safety	57,660	26,169	-	-
Transportation	251,957	2,400	305,185	-
Economic and physical development	-	354,984	-	-
Cultural and recreation	194,693	111,784	-	-
Education	-	87,984	-	-
Total governmental activities program revenues	18,166,142	19,675,925	19,246,744	18,253,071

(Continued)

	2015	2016	2017	2018	2019	2020
\$	1,612,251	\$ 1,768,252	\$ 1,805,126	\$ 1,896,230	\$ 3,036,312	\$ 2,042,325
	212,708	290,455	269,190	276,373	240,284	272,614
	177,027	135,956	140,384	157,348	152,241	108,324
	544,236	646,629	805,826	862,490	755,176	1,018,108
	2,431,367	3,299,900	3,271,073	3,451,334	3,533,805	3,527,031
	367,114	642,414	816,799	489,837	431,438	872,936
	297,915	318,530	361,398	350,294	373,935	286,923
	-	-	-	-	-	6,377
	1,201,955	1,187,152	1,249,821	892,343	1,180,590	1,469,968
	737,800	778,800	1,071,285	1,092,649	1,473,993	2,654,344
	547,165	95,577	661,609	342,557	5,510,341	42,738,966
	149,085	295,188	216,576	174,854	9,558,750	6,593,546
	10,211,027	10,372,796	10,836,099	9,272,539	9,496,266	10,269,441
	88,314	-	-	-	-	-
	48,172	40,695	36,276	32,605	72,866	41,856
	904,198	865,552	762,829	742,161	720,967	700,201
	-	-	-	-	-	-
	-	222,389	26,130	274,956	228,231	-
	-	-	-	22,481	-	-
	-	168,320	175,470	5,500	100,000	4,154,597
	-	-	2,044	54,015	-	-
	19,530,334	21,128,605	22,507,935	20,390,566	36,865,195	76,757,557

Carteret County, North Carolina

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

	Fiscal Year			
	2011	2012	2013	2014
Business-type activities:				
Charge for services - Water	\$ 457,668	\$ 526,067	\$ 575,338	\$ 562,238
Capital grants and contributions - Water	384,395	3,618	1,751,350	-
Total business-type activities program revenues	842,063	529,685	2,326,688	562,238
Total primary government program revenues	\$ 19,008,205	\$ 20,205,610	\$ 21,573,432	\$ 18,815,309
Governmental activities	\$ (66,059,494)	\$ (63,569,492)	\$ (68,878,680)	\$ (61,590,262)
Business-type activities	(7,261)	(285,613)	1,417,381	(465,070)
Total primary government net (expense)/revenue	\$ (66,066,755)	\$ (63,855,105)	\$ (67,461,299)	\$ (62,055,332)

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

Governmental activities:				
Property taxes	\$ 51,159,340	\$ 51,442,461	\$ 50,250,954	\$ 50,921,192
Local option sales tax	12,051,519	12,895,813	13,718,008	13,640,870
Other taxes	4,595,602	4,748,326	4,615,833	5,240,019
Intergovernmental	677,029	780,738	793,818	964,088
Investment earnings	401,788	539,146	(69,957)	285,376
Miscellaneous	79,807	2,125,900	142,562	205,888
Special Item	-	-	2,000,000	1,128,496
Transfers	(305,000)	(245,000)	(231,565)	(300,000)
Total governmental activities	68,660,085	72,287,384	71,219,653	72,085,929
Business-type activities:				
Investment earnings	8,679	9,332	1,219	3,487
Miscellaneous	-	-	-	-
Transfers	305,000	245,000	231,565	300,000
Total business-type activities	313,679	254,332	232,784	303,487
Total primary government	\$ 68,973,764	\$ 72,541,716	\$ 71,452,437	\$ 72,389,416
Change in Net Position				
Governmental activities	\$ 2,600,591	\$ 8,717,892	\$ 2,340,973	\$ 10,495,667
Business-type activities	306,418	(31,281)	1,650,165	(161,583)
Total primary government	\$ 2,907,009	\$ 8,686,611	\$ 3,991,138	\$ 10,334,084

2015	2016	2017	2018	2019	2020
\$ 576,057	\$ 576,598	\$ 584,344	\$ 678,879	\$ 711,732	\$ 693,744
-	-	-	-	-	-
576,057	576,598	584,344	678,879	711,732	693,744
\$ 20,106,391	\$ 21,705,203	\$ 23,092,279	\$ 21,069,445	\$ 37,576,927	\$ 77,451,301
\$ (65,390,856) (407,914)	\$ (65,199,283) (468,970)	\$ (72,182,616) (533,711)	\$ (71,212,898) (582,010)	\$ (89,959,377) (447,558)	\$ (56,848,934) (492,290)
\$ (65,798,770)	\$ (65,668,253)	\$ (72,716,327)	\$ (71,794,908)	\$ (90,406,935)	\$ (57,341,224)
\$ 52,302,979	\$ 49,616,653	\$ 52,093,862	\$ 53,338,473	\$ 54,449,182	\$ 54,313,866
14,800,458	15,429,458	15,628,026	17,148,416	18,298,871	19,061,509
6,476,176	6,761,921	7,077,155	7,626,941	7,759,109	7,316,586
966,265	1,073,420	1,144,245	1,084,553	1,195,756	1,274,575
198,419	269,450	359,363	633,393	1,617,950	979,978
764,879	306,748	251,132	285,414	687,823	1,740,010
-	-	-	-	-	-
(324,000)	(324,000)	(355,000)	(433,600)	(400,000)	(420,000)
75,185,176	73,133,650	76,198,783	79,683,590	83,608,691	84,266,524
2,200	3,647	4,881	9,403	26,896	16,412
1,163	-	548	-	-	-
324,000	324,000	355,000	433,600	400,000	420,000
327,363	327,647	360,429	443,003	426,896	436,412
\$ 75,512,539	\$ 73,461,297	\$ 76,559,212	\$ 80,126,593	\$ 84,035,587	\$ 84,702,936
\$ 9,794,320	\$ 7,934,367	\$ 4,016,167	\$ 8,470,692	\$ (6,350,686)	\$ 27,417,590
(80,551)	(141,323)	(173,282)	(138,007)	(20,662)	(55,878)
\$ 9,713,769	\$ 7,793,044	\$ 3,842,885	\$ 8,332,685	\$ (6,371,348)	\$ 27,361,712

Carteret County, North Carolina

Fund Balances, Governmental funds

Last Ten Fiscal Years

(Modified accrual basis of accounting)

	Fiscal Year			
	2011	2012	2013	2014
General Fund				
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
Total restricted	20,754,763	20,288,537	13,040,529	16,345,912
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
Total General Fund	\$ 43,426,021	\$ 46,831,356	\$ 44,568,021	\$ 51,692,173
All Other Governmental Funds				
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
Health programs	-	-	-	-
Total restricted	6,774,163	6,838,741	4,572,954	4,427,474
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)
Total all other governmental funds	\$ 9,084,271	\$ 8,734,583	\$ 8,349,990	\$ 7,890,246

Schedule 3

	2015	2016	2017	2018	2019	2020
\$	6,457,421	\$ 6,608,370	\$ 6,881,419	\$ 7,170,172	\$ 8,143,941	\$ 17,923,029
	426,804	508,301	547,341	329,103	313,632	412,053
	104,081	104,081	116,336	33,898	33,898	33,898
	615,523	364,036	121,577	481,368	484,242	487,701
	394,275	297,572	264,390	203,560	204,369	199,720
	10,283,851	13,083,623	15,986,798	18,631,010	10,679,909	17,164,659
	1,128,497	1,128,496	1,096,663	617,948	1,029,885	962,948
	19,410,452	22,094,479	25,014,524	27,467,059	20,889,876	37,184,008
	3,717,325	3,775,000	5,205,000	5,324,430	5,300,000	1,600,000
	30,644,570	27,941,462	28,626,430	29,046,079	21,801,623	25,341,780
\$	53,772,347	\$ 53,810,941	\$ 58,845,954	\$ 61,837,568	\$ 47,991,499	\$ 64,125,788
\$	881,162	\$ 1,238,771	\$ 1,003,977	\$ 918,267	\$ 1,301,653	\$ 1,399,418
	820,427	927,601	710,162	862,519	1,081,077	1,211,152
	1,656,221	1,261,069	1,493,758	1,249,282	1,521,484	1,839,316
	-	4,512,122	1,438,366	139,641	-	-
	1,494,748	1,578,144	1,457,269	1,500,474	1,611,696	1,932,459
	-	-	-	-	-	3,092
	4,852,558	9,517,707	6,103,532	4,670,183	5,515,910	6,385,437
	734,594	-	-	-	-	-
	403,529	267,038	231,541	74,436	49,177	49,177
	2,130,637	1,157,070	566,343	146,313	162,112	622,820
	-	750,000	765,000	1,425,000	1,425,000	-
	2,139,650	1,113,105	593,185	774,740	90,000	130,000
	820,877	3,581,667	3,268,990	3,910,622	6,364,555	9,452,301
	(1,181,701)	(1,295,796)	(1,203,874)	(1,226,875)	(1,352,346)	(1,632,365)
\$	9,900,144	\$ 15,090,791	\$ 10,324,717	\$ 9,774,419	\$ 12,254,408	\$ 15,007,370

Carteret County, North Carolina

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	2011	2012	2013	2014
Revenues				
Taxes:				
Property	\$ 50,519,817	\$ 51,069,950	\$ 50,110,266	\$ 50,941,906
Sales and other taxes	16,647,121	17,644,139	18,333,841	18,880,889
Total taxes	67,166,938	68,714,089	68,444,107	69,822,795
Permits and fees	2,407,908	2,590,236	2,781,510	2,575,469
Intergovernmental	13,642,310	15,026,351	14,512,547	13,625,628
Sales and services	2,710,406	2,840,076	2,746,505	3,016,062
Interest	401,788	539,146	(69,957)	285,376
Miscellaneous	164,968	211,118	118,669	172,353
Total revenues	86,494,318	89,921,016	88,533,381	89,497,683
Expenditures				
General government	5,710,894	5,402,432	5,697,525	6,160,049
Public safety	18,135,931	16,863,612	17,548,136	18,122,055
Transportation	952,210	1,159,848	2,658,305	918,872
Environmental protection	3,189,081	4,014,786	3,104,387	3,132,347
Economic development	4,889,167	6,862,298	5,782,737	4,922,228
Human services	15,221,814	15,598,191	14,814,576	14,719,500
Culture and recreation	1,590,158	2,774,024	2,889,936	3,191,895
Education	28,623,466	22,306,178	21,265,441	21,816,743
Capital outlay	3,505,755	3,689,741	10,484,171	2,837,981
Debt service:				
Principal	6,465,073	6,615,517	6,174,180	6,520,683
Interest	2,943,555	2,883,139	2,558,945	2,280,183
Bond issuance cost	-	-	-	-
Total expenditures	91,227,104	88,169,766	92,978,339	84,622,536
Excess (deficiency) of revenues over (under) expenditures	(4,732,786)	1,751,250	(4,444,958)	4,875,147
Other financing sources (uses):				
Transfers in	4,773,110	4,218,376	11,921,740	4,911,458
Transfers out	(5,078,110)	(4,463,376)	(12,153,305)	(5,211,458)
Proceeds from sale of capital assets	5,653,860	1,531,514	2,000,000	53,765
Special item	-	-	-	1,128,496
Bond premium	-	-	2,624,435	-
Bonds issued	-	-	-	-
Refunding bonds issued	-	10,029,942	12,700,000	-
Payment to refunding escrow agent	-	(10,012,059)	(15,077,852)	-
Proceeds from installment note	-	-	-	907,000
Total other financing sources (uses)	5,348,860	1,304,397	2,015,018	1,789,261
Net change in fund balance	\$ 616,074	\$ 3,055,647	\$ (2,429,940)	\$ 6,664,408
Debt service as a percentage of noncapital expenditures	10.77%	10.92%	9.52%	10.52%

Schedule 4

	2015	2016	2017	2018	2019	2020
\$	52,173,675	\$ 49,621,522	\$ 51,948,681	\$ 52,974,061	\$ 54,355,973	\$ 54,920,098
	21,276,634	22,191,379	22,705,181	24,775,357	26,057,980	26,378,095
	73,450,309	71,812,901	74,653,862	77,749,418	80,413,953	81,298,193
	2,592,668	3,103,209	3,480,181	3,777,112	3,427,887	3,833,484
	14,853,980	15,099,889	16,180,325	13,416,534	29,067,046	66,599,091
	3,049,951	3,998,927	3,989,615	4,202,268	4,240,688	4,294,777
	198,419	269,450	359,363	633,393	1,617,950	979,978
	647,154	325,215	288,839	210,419	1,956,718	1,673,898
	94,792,481	94,609,591	98,952,185	99,989,144	120,724,242	158,679,421
	6,689,088	7,653,713	7,451,324	7,741,029	9,049,444	8,751,597
	18,728,679	18,092,186	19,862,881	20,430,532	23,065,217	23,889,544
	1,295,944	1,214,961	1,029,693	1,439,418	1,537,681	1,142,378
	3,395,439	3,576,906	3,645,840	3,854,481	18,502,451	4,442,846
	5,582,073	5,548,594	6,125,261	6,250,741	5,897,469	5,841,169
	15,639,871	16,312,094	16,049,596	15,286,265	16,112,972	16,742,540
	3,190,144	3,474,047	3,430,211	3,591,363	4,016,630	3,463,928
	24,173,981	23,551,049	25,173,000	25,398,749	26,180,114	27,328,780
	3,538,776	6,583,987	8,736,799	6,118,397	20,663,209	40,780,972
	6,145,377	6,393,040	6,513,867	5,661,914	5,504,773	4,675,514
	2,067,935	1,719,633	1,583,634	1,341,339	1,160,362	968,980
	107,922	-	-	-	-	-
	90,555,229	94,120,210	99,602,106	97,114,228	131,690,322	138,028,248
	4,237,252	489,381	(649,921)	2,874,916	(10,966,080)	20,651,173
	8,725,677	9,606,950	7,227,485	9,228,949	20,805,023	96,150
	(9,049,677)	(9,930,950)	(7,582,485)	(9,662,549)	(21,205,023)	(19,987,904)
	58,782	-	-	-	-	19,567,904
	-	-	1,273,860	-	-	-
	-	463,860	-	-	-	-
	-	4,600,000	-	-	-	-
	12,250,000	-	-	-	-	-
	(12,131,962)	-	-	-	-	-
	-	-	-	-	-	-
	(147,180)	4,739,860	918,860	(433,600)	(400,000)	(323,850)
\$	4,090,072	\$ 5,229,241	\$ 268,939	\$ 2,441,316	\$ (11,366,080)	\$ 20,327,323
	9.26%	8.94%	8.36%	7.42%	5.15%	4.23%

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)	
2011	\$ 16,534,261,525	\$ 1,571,423,205	\$ 36,106,300	\$ 69,952,621	\$ 18,211,743,651
2012 ⁽⁵⁾	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 ⁽⁵⁾	11,863,427,000	1,158,966,816	40,894,377	60,528,976	13,123,817,169
2017	12,028,089,441	1,138,917,384	40,521,183	61,238,487	13,268,766,495
2018	12,162,660,612	1,137,063,586	35,910,900	60,610,484	13,396,245,582
2019	12,287,126,108	1,136,878,027	35,910,900	61,950,816	13,521,865,851
2020	12,215,471,240	1,170,143,130	38,274,243	60,560,640	13,484,449,253

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)
\$ 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
1,307,233,688	144,399,817	14,720,400,000	0.31	14,851,089,588
1,350,774,902	145,921,774	14,892,942,258	0.31	15,892,585,912
1,429,210,534	144,287,809	15,095,364,194	0.31	16,108,594,807
1,506,349,077	146,880,056	15,137,678,386	0.31	16,338,562,748



**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 ¹		Total Direct and Overlapping Rates
		Municipalities Operating Mileage	Special Districts	
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	4.3675
2017	0.3100	2.1315	2.0663	4.5078
2018	0.3100	2.1315	2.1185	4.5600
2019	0.3100	2.2425	2.1985	4.7510
2020	0.3100	2.3940	2.2310	4.9350

Source: Carteret County Tax Department

¹ 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			
	2011	2012	2013	2014
Carteret County	0.2300	0.3000	0.2900	0.2900
Municipalities				
Atlantic Beach	0.1250	0.1700	0.1700	0.1650
Beaufort	0.2200	0.2600	0.3000	0.3000
Bogue	0.0500	0.0500	0.0500	0.0500
Cape Carteret	0.1400	0.1625	0.1525	0.1525
Cedar Point	0.0550	0.0625	0.0625	0.0625
Emerald Isle	0.0800	0.1150	0.1150	0.1250
Indian Beach	0.1500	0.2150	0.2150	0.1650
Morehead City	0.2200	0.2850	0.2850	0.3150
Newport	0.3300	0.3570	0.3570	0.3570
Pelletier	0.0550	0.0550	0.0550	0.0550
Pine Knoll Shores	0.1150	0.1560	0.1560	0.1560
Fire Districts				
Atlantic	0.0700	0.0700	0.0700	0.0700
Beaufort	0.0550	0.0550	0.0550	0.0550
Broad & Gales Creek	0.0300	0.0300	0.0300	0.0300
Cedar Island	0.1000	0.1000	0.1000	0.1000
Davis	0.0850	0.0850	0.0850	0.0850
Harkers Island	0.0700	0.0800	0.0800	0.0700
Harlowe	0.0600	0.0750	0.0750	0.0750
Marshallberg	0.0900	0.0900	0.0900	0.0900
Mill Creek	0.0450	0.0450	0.0450	0.0450
Mitchell Village	0.0750	0.0750	0.0650	0.0550
Newport	0.0700	0.0700	0.0700	0.0700
North River	0.0900	0.0900	0.0900	0.0900
Otway	0.0500	0.0550	0.0550	0.0700
Salter Path	0.0300	0.0500	0.0600	0.0600
Sea Level	0.1000	0.0950	0.0950	0.0950
South River/ Merrimon	0.0600	0.0600	0.0600	0.0600
Stacy	0.0850	0.0850	0.0850	0.0850
Stella	0.0400	0.0400	0.0400	0.0400
Western Carteret	0.0400	0.0400	0.0400	0.0400
Wildwood	0.0650	0.0850	0.0850	0.0850

(Continued)

Schedule 7
Page 1 of 2

2015	2016	2017	2018	2019	2020
0.3000	0.3000	0.3100	0.3100	0.3100	0.3100
0.1650	0.1650	0.1650	0.1650	0.1650	0.1800
0.3300	0.3475	0.3475	0.3775	0.4135	0.4600
0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
0.1525	0.1525	0.1975	0.1975	0.2125	0.2125
0.0625	0.0625	0.0625	0.0625	0.0625	0.0925
0.1400	0.1550	0.1550	0.1550	0.1550	0.1550
0.1650	0.1950	0.1950	0.1950	0.2250	0.2550
0.3300	0.3500	0.3500	0.3500	0.3500	0.3800
0.3570	0.3570	0.3570	0.3570	0.3570	0.3570
0.0550	0.0550	0.0550	0.0550	0.0550	0.0550
0.1560	0.1970	0.1970	0.1970	0.1970	0.1970
0.0700	0.0800	0.0800	0.0800	0.0800	0.0800
0.0550	0.0550	0.0550	0.0550	0.0550	0.0625
0.0300	0.0300	0.0400	0.0400	0.0400	0.0400
0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
0.0850	0.0850	0.0850	0.0850	0.0850	0.0850
0.0700	0.0850	0.1100	0.1100	0.1100	0.1100
0.0750	0.0750	0.0750	0.0750	0.0750	0.0750
0.0900	0.0975	0.0975	0.0900	0.0900	0.0900
0.0450	0.0450	0.0450	0.0450	0.0450	0.0550
0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
0.0700	0.0700	0.0700	0.0700	0.0900	0.0900
0.0900	0.0900	0.0900	0.0700	0.0700	0.0700
0.0700	0.0700	0.0800	0.0800	0.0800	0.0800
0.0600	0.0600	0.0700	0.0700	0.0900	0.0900
0.0950	0.0950	0.0950	0.0950	0.0950	0.0950
0.0600	0.0600	0.0600	0.0600	0.0600	0.0600
0.0850	0.0850	0.0850	0.0850	0.0850	0.0850
0.0400	0.0400	0.0400	0.0800	0.1000	0.1000
0.0400	0.0400	0.0400	0.0400	0.0600	0.0600
0.0675	0.0675	0.0675	0.0675	0.0675	0.0675

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			
	2011	2012	2013	2014
Rescue Districts				
Beaufort	0.0450	0.0500	0.0500	0.0500
Broad & Gales Creek	0.0300	0.0300	0.0300	0.0300
Mill Creek	0.0450	0.0450	0.0450	0.0450
Mitchell Village	0.0400	0.0400	0.0300	0.0200
Otway	0.0300	0.0300	0.0300	0.0300
Sea Level	0.1200	0.0800	0.0600	0.0600
Western Carteret	0.0300	0.0300	0.0300	0.0300
Beach Nourishment Districts				
Salter Path	-	0.1500	0.0500	0.0500
Indian Beach Non Ocean Front	0.0100	0.0100	0.0325	0.0325
Indian Beach Ocean Front	0.0100	0.0350	0.0850	0.0850
Emerald Isle Non Ocean Front	0.0110	0.0150	0.0150	0.0150
Emerald Isle Ocean Front	0.1620	0.0450	0.0450	0.0450
Pine Knoll Shores Ocean Front	0.0160	0.0140	0.0140	0.0140
Pine Knoll Shores Non Ocean Front	0.1050	0.0520	0.0520	0.0520
Water Districts				
County Water District ¹	-	0.0550	0.0550	0.0550

Source: Carteret County Tax Department

Notes:

¹First Year Tax District 2012

2015	2016	2017	2018	2019	2020
0.0500	0.0550	0.0550	0.0700	0.0600	0.0600
0.0300	0.0300	0.0400	0.0400	0.0400	0.0400
0.0450	0.0450	0.0450	0.0600	0.0600	0.0800
0.0200	0.0200	0.0200	0.0200	0.0200	0.0200
0.0300	0.0400	0.0550	0.0650	0.0650	0.0700
0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
0.0300	0.0300	0.0300	0.0300	0.0500	0.0500
0.0500	0.0550	0.0550	0.0550	0.0550	0.0550
0.0300	0.0200	0.0200	0.0200	0.0100	0.0100
0.0650	0.0400	0.0400	0.0400	0.0400	0.0300
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0300	0.0400	0.0400	0.0400	0.0400	0.0400
0.0140	0.0160	0.0160	0.0160	0.0160	0.0160
0.0520	0.0600	0.0600	0.0600	0.0600	0.0600
0.0550	0.0550	0.0550	0.0550	0.0550	0.0550



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

Name of Taxpayer	Type of Enterprise	Fiscal Year 2020		Fiscal Year 2011		Fiscal Year 2011	
		Assessed Valuation	Rank	Percent of Total Assessed Valuation	Assessed Valuation	Rank	Percent of Total Assessed Valuation
Progress Energy Carolinas	Utility	\$ 116,872,330	1	0.772%	\$ 43,782,561	5	0.227%
Carteret Craven Electric	Utility	114,322,700	2	0.755%	53,281,091	2	0.276%
Open Grounds Farm, Inc.	Farm	42,742,307	3	0.282%	51,787,583	3	0.269%
Goose Creek Landing HOA	Real Estate	30,236,690	4	0.200%	33,632,383	6	0.174%
Spectrum Southeast LLC	Communications	28,325,716	5	0.187%	-	-	-
ITAC 192 LLC	Real Estate	25,357,352	6	0.168%	24,209,326	10	0.126%
Carteret Place Investors LLC	Real Estate	25,136,547	7	0.166%	-	-	-
Weyerhaeuser Company	Real Estate	19,456,707	8	0.129%	-	-	-
USPG Portfolia One LLC	Real Estate	19,274,257	9	0.127%	-	-	-
Stevens Towing Company	Barge Transport	18,333,669	10	0.121%	-	-	-
Bogue Watch LLC	Real Estate	-	-	-	89,149,222	1	0.457%
Shearin Family Investment LLC	Real Estate	-	-	-	29,661,713	8	0.154%
Carolina Telephone	Utility	-	-	-	29,731,196	7	0.154%
Indian Beach Acquisition LLC	Real Estate	-	-	-	45,240,000	4	0.235%
Atlantic Veneer Corp	Manufacturing	-	-	-	29,474,974	9	0.153%
		\$ 440,058,275		2.907%	\$ 429,950,049		2.225%

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
2011	\$ 44,397,414	\$ (45,973)	\$ 44,351,441	\$ 43,043,486	97.05%
2012	45,203,707	(115,651)	45,088,056	43,758,543	97.05%
2013	44,109,338	(72,754)	44,036,584	42,824,327	97.25%
2014	44,863,630	(60,749)	44,802,881	43,722,134	97.59%
2015	46,118,930	(46,040)	46,072,890	45,099,962	97.89%
2016	43,572,880	(106,562)	43,466,318	42,642,837	98.11%
2017	45,841,885	(191,557)	45,650,328	44,595,689	97.69%
2018	46,325,347	(211,124)	46,114,223	45,175,396	97.96%
2019	46,870,483	(119,449)	46,751,034	45,799,705	97.97%
2020	47,201,126	(274,323)	46,926,803	46,024,208	98.08%

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
\$ 1,285,492	\$ 44,328,978	99.95%
1,252,594	45,011,137	99.83%
1,096,721	43,921,048	99.74%
950,692	44,672,826	99.71%
847,178	45,947,140	99.73%
663,016	43,305,853	99.63%
741,818	45,337,507	99.31%
621,032	45,796,428	99.31%
519,344	46,319,049	99.08%
-	46,024,208	98.08%

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	Direct Placement Installment Loans
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
2017	29,410,000	2,417,445	2,175,000	8,382,789
2018	25,725,000	2,131,480	1,730,000	6,850,875
2019	22,100,000	1,845,515	1,290,000	5,411,102
2020	19,135,000	1,559,550	855,000	4,135,588

* 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 2019 and 2020.

Schedule 10

		Business Activity					
Direct Placement	Bond	Direct Placement	Total	Per	Percentage		
Installment	Anticipation	Revenue	Primary	Capita (1)	of Personal		
Loans	Notes	Bonds	Government		Income (1)		
\$ 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	1.64%		
1,446,192	-	997,000	44,828,426	637	1.36%		
1,275,160	-	980,000	38,692,515	548	1.13%		
1,104,128	-	962,000	32,712,745	460	*		
933,096	-	944,000	27,562,234	385	*		



**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
2011	\$ 48,667,868	\$ 19,287,665,218	25.00%	18.40%	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%	1.15%	69,706	524.90
2017	31,827,445	14,720,400,000	0.22%	0.97%	70,401	452.09
2018	27,856,480	14,892,942,258	0.19%	0.81%	70,620	394.46
2019	23,945,515	15,095,364,194	0.16%	*	71,084	336.86
2020	20,694,550	15,137,678,386	0.14%	*	71,640	288.87

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 2019 and 2020

Carteret County, North Carolina

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

	Fiscal Year			
	2011	2012	2013	2014
Assessed values of property	\$ 19,287,665,218	\$ 15,072,107,348	\$ 15,178,413,206	\$ 15,451,156,552
Debt limit 8% of assessed value	1,543,013,217	1,205,768,588	1,214,273,056	1,236,092,524
Gross debt:				
Total bonded debt	53,900,000	49,760,000	44,645,000	40,105,000
Direct placement installment debt	18,489,570	16,099,052	14,339,872	13,365,073
Net bond premiums and adjustments	(77,132)	35,220	3,464,917	3,100,791
Authorized unissued bonded debt	9,710,000	9,710,000	9,710,000	9,710,000
Total amount of debt applicable to debt limit	82,022,438	75,604,272	72,159,789	66,280,864
Legal debt margin	\$ 1,460,990,779	\$ 1,130,164,316	\$ 1,142,113,267	\$ 1,169,811,660
Total net debt applicable to the limit as a percentage of debt limit	5.32%	6.27%	5.94%	5.36%

2015	2016	2017	2018	2019	2020
\$ 15,365,675,000	\$ 14,498,901,666	\$ 14,720,400,000	\$ 14,892,942,258	\$ 15,095,364,194	\$ 15,137,678,386
1,229,254,000	1,159,912,133	1,177,632,000	1,191,435,381	1,207,629,136	1,211,014,271
36,565,000	36,450,000	31,585,000	27,455,000	23,390,000	19,990,000
11,709,696	10,031,656	8,382,789	6,850,875	5,411,102	4,135,588
2,680,697	2,768,620	2,417,445	2,131,480	1,845,515	1,559,550
9,710,000	-	-	-	-	-
60,665,393	49,250,276	42,385,234	36,437,355	30,646,617	25,685,138
\$ 1,168,588,607	\$ 1,110,661,857	\$ 1,135,246,766	\$ 1,154,998,026	\$ 1,176,982,519	\$ 1,185,329,133
4.94%	4.25%	3.60%	3.06%	2.54%	2.12%

**Computation of Direct and Overlapping Debt
Governmental Activities Debt
June 30, 2020**

	Outstanding Debt	Percent Applicable to County	Amount Applicable to County
Direct			
Carteret County (1)	\$ 25,685,138	100.00%	\$ 25,685,138
Overlapping			
Town of Cedar Point (2)	2,137,500	100.00%	2,137,500
Town of Newport (2)	1,857,185	100.00%	1,857,185
Town of Pine Knoll Shores (2)	2,521,000	100.00%	2,521,000
Subtotal overlapping debt	<u>6,515,685</u>		<u>6,515,685</u>
Total direct and overlapping debt	<u>\$ 32,200,823</u>		<u>\$ 32,200,823</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)
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	3,172,812	45,517	5.67%	8,141
2017	70,401	3,297,436	47,871	4.83%	8,072
2018	70,620	3,431,692	48,594	4.35%	8,006
2019	71,084	*	*	4.66%	7,892
2020	71,640	*	*	5.58%	8,058

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	2020		2011			
	Employment Range	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Carteret County Public Schools	1000+	1	-	1,140	1	3.29%
Carteret General Hospital	1000+	2	-	1,030	2	2.98%
Carteret County	500-999	3	-	571	3	1.65%
Wal-Mart Associates Inc	250-499	4	-	425	5	1.23%
Lowes Home Improvements	250-499	5	-	250	9	0.72%
Carteret Community College	250-499	6	-	365	6	1.05%
Food Lion	250-499	7	-	-	-	-
Bally Refrigerated Boxes	100-249	8	-	-	-	-
Town of Morehead City	100-249	9	-	-	-	-
McDonalds	100-249	10	-	-	-	-
NC Department of Transportation	-	-	-	550	4	1.59%
NC Natural Resources and Community Development	-	-	-	278	7	0.80%
US Coast Guard	-	-	-	273	8	0.79%
Lowes Foods	-	-	-	190	10	0.55%

Source: NC Commerce LEAD Division
2020 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			
	2011	2012	2013	2014
General government	66.40	66.60	62.85	57.85
Public safety	114.30	141.00	130.00	135.00
Transportation	2.00	2.00	2.00	3.00
Economic and physical development	17.00	17.00	17.00	14.00
Environmental protection	7.00	7.00	7.00	7.00
Human Services	169.58	169.91	169.33	169.33
Cultural and recreation	20.92	21.49	20.07	19.07
Water/Sewer (Business activity)	4.40	4.40	4.15	4.15
Total	401.60	429.40	412.40	409.40

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

2015	2016	2017	2018	2019	2020
59.80	60.80	61.80	62.20	65.72	65.72
137.00	138.00	141.00	144.00	150.00	153.00
3.00	4.00	4.00	4.00	6.00	8.00
13.87	13.87	14.00	16.50	17.00	17.00
6.50	6.50	6.50	6.50	6.50	6.50
168.33	170.98	177.00	184.18	185.18	186.18
20.07	20.42	22.42	22.42	22.42	22.42
4.83	4.83	4.70	4.80	4.78	4.78
413.40	419.40	431.42	444.60	457.60	463.60

Carteret County, North Carolina

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

Function	Fiscal Year		
	2011	2012	2013
Sheriff:			
Physical arrests	2,270	2,288	2,091
Environmental Protection:			
Solid waste convenience sites:			
Refuse collected (tons / day)	41.48	45.46	43.74
Recycled Material (tons / day)	2.34	4.24	4.26
Yard Waste (tons / day)	3.12	2.61	3.50
Culture and recreation:			
Park reservations	5,404	5,792	6,099
Senior center and community center admissions	93,504	98,616	124,177
Public libraries:			
Admissions	289,197	293,613	286,588
Electronic resources users	237,737	365,516	400,407
Water:			
New connections	32	30	35
Water mains breaks	3	3	2
Average daily consumption (gallons / day)	130	150	125

Sources: Various government departments.

Notes:

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

Schedule 17

2014	2015	2016	2017	2018	2019	2020
2,018	1,659	1,773	1,815	1,086	1,170	1,154
46.25	45.23	38.36	42.17	51.65	58.04	60.74
5.15	3.90	2.38	4.19	4.62	2.68	2.74
11.00	4.80	3.24	9.28	9.59	23.21	4.67
6,462	7,888	7,192	7,508	8,220	5,916	2,216
110,435	103,007	117,355	128,229	112,893	92,109	58,576
269,839	269,184	261,578	259,850	261,347	235,673	260,899
292,250	332,243	286,530	227,773	206,564	298,768	239,584
25	18	15	14	13	14	13
2	-	-	1	1	1	-
127	117	118	119	121	121	115

Carteret County, North Carolina

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

Function	Fiscal Year			
	2011	2012	2013	2014
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	163	163	163
Parks	7	9	9	9
Tennis courts	5	14	14	14
Community centers	2	3	3	3
Public libraries	4	5	5	5
Water:				
Water mains (miles)	51	51	51	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

2015	2016	2017	2018	2019	2020
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

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.



**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, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 25, 2021. 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 ABC Board and Carteret County General Hospital Corporation 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as finding 2020-001, that we consider to be a material weakness.

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 financial statements. 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001.

County's Response to Finding

The County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Morehead City, North Carolina
February 25, 2021

**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 Each 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 each of the County's major federal programs for the year ended June 30, 2020. The County's major federal programs are 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 and state 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 each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 each major federal program. However, our audit does not provide a legal determination of the County's compliance.

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 each of its major federal programs for the year ended June 30, 2020.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 have not been identified. We did identify a certain deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as finding 2020-002, that we consider to be a material weakness.

The County's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The County's response was not subjected to auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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
February 25, 2021

**Report on Compliance for Each Major State Program;
Report on Internal Control Over Compliance
in Accordance with 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 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 each of its major State programs for the year ended June 30, 2020. The County's major State programs are 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 state statutes, regulations, and the terms and conditions of its state awards applicable to its State programs.

Auditor's Responsibility

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

Opinion on Each 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 each of its major State programs for the year ended June 30, 2020.

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 each major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with 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 internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as finding 2020-003, that we consider to be a material weakness.

The County's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The County's response was not subjected to auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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
February 25, 2021

Carteret County, North Carolina

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2020**

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> X </u> Yes	<u> </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None reported
Noncompliance material to financial statements noted?	<u> X </u> Yes	<u> </u> No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </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
----------------------	----------------------

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA</u>
1571 Administrative Costs - Crosscutting Requirements:	
Supplemental Nutrition Assistance Program Cluster	10.561
Child Care Development Fund Cluster	93.596
Medicaid Cluster - Medical Assistance Program (Medicaid; Title XIX)	93.778
Temporary Assistance for Needy Families	93.558
Children's Health Insurance Program - NC Health Choice	93.767
Child Support Enforcement	93.563
Coronavirus Relief Fund (CRF)	21.019

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

<u> </u> Yes	<u> X </u> No
-----------------------	---------------------

(Continued)

Carteret County, North Carolina

Schedule of Findings and Questioned Costs (Continued)
 Year Ended June 30, 2020

I - Summary of Auditor's Results (Continued)

State Awards

Internal control over major State programs:

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

Type of auditor's report issued on compliance for major State programs	Unmodified
--	------------

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?	<u> X </u> Yes	<u> </u> No
---	------------------	------------------

Identification of major State programs:

<u>Program Name</u>	<u>Grant Number</u>
1571 Administrative Costs - Crosscutting Requirements:	
Medicaid Cluster - Medical Assistance Program (Medicaid; Title XIX)	93.778
Water Resources Development Project Grant -	
Bogue Banks Master Beach Renourishment	N/A
Disaster Recovery Grant - Bogue Sound Project	N/A
Land Acquisition Grant	N/A

(Continued)

Carteret County, North Carolina

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2020**

II - Financial Statement Findings

Material Noncompliance and Material Weakness in Internal Control - Budget Violation

Finding 2020-001

Criteria: G.S. 159-8(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance.

Condition and Context: For fiscal year ended June 30, 2020, solid waste collection expenditures exceeded the authorized appropriations made by the governing board by \$206,917.

Effect: Moneys were spent that had not been appropriated.

Cause: This over expenditure occurred due to insufficient Pre-Audit certification review as required by NC G.S. 159-28(a1).

Recommendation: We recommend County and department management closely monitor budget reports against expenditures to ensure sufficient appropriations exist prior to the approval of the expenditure.

Management's Response: See corrective action plan.

Carteret County, North Carolina

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2020**

III - Findings and Questioned Costs for Federal Awards

**Material Weakness in Internal Control Over Compliance - Medicaid Cluster
Finding 2020-002**

US Department of Health and Human Services

Passed through the NC Department of Health and Human Services (NC DHHS)

Program Name: Medicaid Cluster - Medical Assistance Program (Medicaid; Title XIX)

CFDA # 93.778

Award Year: 2020

Criteria: Per the NC Department of Health and Human Services-Division of Health Benefits, the County Department of Social Services Agency is responsible to determine client eligibility in accordance with eligibility requirements defined in the approved State Plan (42 CFR Section 431.10).

Condition and Context: Of the 60 claims tested we noted the following: 8 instances which included incorrect countable and/or non-countable income resulting in incorrect budget calculations; 4 instances which included incorrect MAGI tax household for member relationship status which is required under the Modified Adjusted Gross Income (MAGI) for proper eligibility determinations for Family and Childrens' Medicaid; 3 instances where agency caseworkers failed to react timely to a change in client's situation; 3 instances which included incorrect countable resources and incorrect budget calculations; 2 instances where agency caseworkers failed to run online verification matches (OVS) and/or (AVS) in NC FAST for all applicable members of the household; 1 instance where agency caseworker failed to obtain, update and verify a beneficiary's social security number and therefore failed to verify citizenship; 1 instance where the agency caseworker failed to run a register of deeds check at application to verify resources; 2 instances where agency internal control policy required Family & Childrens' Medicaid manual checklist and budget was not completed and present in the case file documentation. This is not a state requirement but a local agency policy used to ensure accuracy of eligibility determination and proper input into NCFast; 1 instance where agency internal control policy required dictation / narrative case notes was not completed and present in the case file documentation.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2019-002

Effect: Potential for ineligible applicant to receive benefits.

Cause: Administrative oversight.

Questioned Costs: None noted.

Recommendation: We recommend the County continue to implement training and oversight to ensure that all County staff are properly informed of applicable program requirements.

Management's Response: See corrective action plan.

Carteret County, North Carolina

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2020

IV - Findings and Questioned Costs for State Awards

**Material Weakness in Internal Control Over Compliance - Medical Assistance (MA)
Finding 2020-003**

US Department of Health and Human Services

Passed through the NC Department of Health and Human Services (NC DHHS)
Program Name: Medicaid Cluster - Medical Assistance Program (Medicaid; Title XIX)
CFDA # 93.778
Award Year: 2020

See Section III. Federal Award Findings and Questioned Costs, Finding 2020-002

Questioned Costs: None

Management's Response: See corrective action plan.

CARTERET COUNTY FINANCE

Denise H. Meshaw, CPA
Assistant County Manager
Finance Department



Tel: (252) 728-8410
Fax: (252) 728-0133
deem@carteretcountync.gov
www.carteretcountync.gov

Corrective Action Plan

Material Noncompliance and Material Weakness in Internal Control – Budget Violation
Finding 2020-001

Carteret County department management will closely monitor budget reports against expenditures to ensure sufficient appropriations exist prior to the approval of the expenditures. This plan became effective August 1, 2021.

Dee Meshaw

Dee Meshaw
Assistant County Manager

CARTERET COUNTY DEPARTMENT OF HUMAN SERVICES

Cindy P. Holman
 Consolidated Human Services Director
 cindy.holman@carteretcountync.gov



Clinton W. Lewis
 DSS Director
 Consolidated Human Services Deputy Director
 clint.lewis@carteretcountync.gov

Stephanie M. Cannon, MPA
 Health Director
 Consolidated Human Services Deputy Director
 stephanie.cannon@carteretcountync.gov

January 21, 2021

Corrective Action Plan

Material Weakness in Internal Control Over Compliance – Medicaid Cluster Finding 2020-002 and 2020-003.

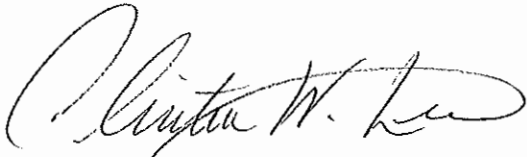
In our 2020 Single County Audit, nine (9) Condition and Context problematic areas were identified. Following, each area is stated with a corresponding training date to address the deficiencies:

	Deficiency	Training Date
1	<i>8 cases which included incorrect countable and/or non-countable income resulting in incorrect budget calculations.</i>	Budget Training <ul style="list-style-type: none"> February 16, 2021 February 17, 2021
2	<i>4 cases which included incorrect MAGI tax household for member relationship status which is required under the Modified Adjusted Gross Income (MAGI) for proper eligibility determinations for Family and Children's Medicaid.</i>	Tax Filing Status and Relationship Training <ul style="list-style-type: none"> February 17, 2021
3	<i>3 cases where agency caseworkers failed to react timely to a change in client's situation.</i>	Timely Reaction to Client Changes Training <ul style="list-style-type: none"> February 17, 2021
4	<i>3 cases which included incorrect countable resources and incorrect budget calculations.</i>	Countable Resource Training <ul style="list-style-type: none"> February 16, 2021 February 17, 2021
5	<i>2 cases where agency caseworkers failed to run online verification matches (OVS) and/or (AVS) in NC FAST for all applicable members of the household.</i>	OVS and AVS Training <ul style="list-style-type: none"> February 16, 2021 March 17, 2021
6	<i>1 case where agency caseworker failed to obtain, update and verify a beneficiary's social security number and therefore failed to verify citizenship.</i>	Social Security Number and Citizenship Verification Training <ul style="list-style-type: none"> March 17, 2021
7	<i>1 case where the agency caseworker failed to run a register of deeds check at application to verify resources.</i>	Register of Deeds Training <ul style="list-style-type: none"> February 16, 2021



8	<i>2 cases in which the local Carteret County DSS Agency internal control required Family & Children's Medicaid manual checklist and budget was not completed and present in the case file documentation</i>	Agency Internal Control Training <ul style="list-style-type: none"> • March 16, 2021 • March 17, 2021
9	<i>1 case where agency internal control policy required dictation was not completed and present in the case file documentation.</i>	Agency Internal Control Training <ul style="list-style-type: none"> • March 16, 2021 • March 17, 2021

As indicated above, several trainings have been scheduled and all will be completed by March 17, 2021.



Clinton W. Lewis
Carteret Co DSS Director

CARTERET COUNTY FINANCE

Denise H. Meshaw, CPA
Assistant County Manager
Finance Department



Tel: (252) 728-8410
Fax: (252) 728-0133
deem@carteretcountync.gov
www.carteretcountync.gov

Summary Schedule of Prior Audit Findings Year Ended June 30, 2020

Finding 2019-001

Status: Corrected

Finding 2019-002

Status: See identification of repeat finding at 2020-002

Finding 2019-003

Status: See identification of repeat finding at 2020-003

**Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2020**

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
Federal Assistance					
US Department of Agriculture:					
Food and Nutrition Service					
Passed through NC Department of Agriculture:					
Administered by County Finance Department					
Soil and water conservation	10.550		\$ 22,489	\$ -	\$ -
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		254,771	-	11,441
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 Supplemental Nutrition Assistance Program Supplemental Nutrition Assistance Program (SNAP) Cluster:					
SNAP - Food Stamp Admin	10.561		486,408	-	486,408
SNAP - Food Stamp Fraud Admin	10.561		41,189	-	41,189
Total SNAP Cluster			527,597	-	527,597
Total US Department of Agriculture			804,857	-	539,038
US Department of Commerce:					
Passed through NC Department of Environment & Natural Resources					
Division of Water Quality					
Coastal Zone Management Awards-Minor Permit/County Aid	11.419		5,320	-	-
US Department of Defense:					
Direct Program:					
Office of Economic Adjustment					
Administered by County Planning & Inspections Department					
Community Economic Adjustment Planning for Compatible Use & Joint Land Use Studies	12.610		17,873	-	-
US Department of Interior:					
Direct Program:					
Administered by County Finance Department:					
Recreation and Visitor Services	15.225		39,413	-	-
Direct Program:					
Administered by Shore Protection Department					
National Parks Service					
Dredging of Harbor Channels at South Core Banks	15.931		590,554	-	-
Total US Department of Interior			629,967	-	-

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2020

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
US Department of Justice					
Bureau of Justice Assistance					
Direct Program:					
Administered by County Rape Crisis Department					
Crime Victim Assistance - Basic SA Services 2018	16.575		102,264	-	25,566
Crime Victim Assistance - Bi-Lingual Victim Advocate/ Interpreter 2019	16.575		28,691	-	7,173
Total US Department of Justice			130,955	-	32,739
US Department of Transportation					
Passed through NC Department of Transportation:					
Administered by County CCATS Department:					
Formula Grants for Rural Areas-Rural Operating Assistance Including Elderly and Disabled:					
Administration Grant	20.509		183,032	11,439	34,318
Transit Services Programs Cluster:					
Job Access and Reverse Commute Program (JARC)	20.516		6,769	-	6,769
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		128,738	-	128,738
Total Transit Services Programs Cluster			135,507	-	135,507
Total US Department of Transportation			318,539	11,439	169,825
US Department of Treasury					
Passed through NC Office of State Budget and Management					
Administered by County Finance Department					
COVID - 19 Coronavirus Relief Fund (CRF)	21.019		684,761	-	-
Total US Department of Treasury			684,761	-	-
US Department of Health and Human Services:					
Administration on Aging					
Passed through NC Department of Health and Human Services:					
NC Division of Aging and Adult Services, Eastern Carolina Council					
Aging Cluster:					
Special Programs for the Aging-Title III, Part B- Grants for Supportive Services and Senior Centers - HCCBG In-Home Support Services Title III	93.044		78,265	4,604	9,208
HCCBG Preventive Health	93.043		14,189	887	1,419
Special Programs for the Aging-Title III, Part C-Nutrition Services - HCCBG Congregate Nutrition Title III C1	93.045		52,873	3,110	6,220
Special Programs for the Aging-Title III, Part C-Nutrition Services - HCCBG Home Delivered Meals Title III C2	93.045		42,221	2,484	4,967
Nutrition Services Incentive Program (NSIP) - Nutrition	93.053		11,529	-	-
Total Aging Cluster			199,077	11,085	21,814
Passed through NC Department of Health and Human Services:					
NC Division of Aging and Adult Services, Eastern Carolina Council:					
Social Services Block Grant (SSBG) In-Home Support Services	93.667		19,177	548	2,191
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):					
Work First Administration	93.558		143,015	-	132,837
Work First Service	93.558		613,645	-	445,009
Total TANF			756,660	-	577,846
Promoting Safe and Stable Families - Family Preservation	93.556		31,258	-	-
AFDC Payments & Penalties	93.560		(118)	(32)	(32)

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2020

	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:					
Child Support Enforcement:					
IV-D Administration	93.563		\$ 650,504	\$ -	\$ 335,108
IV-D Offset Fees ESC	93.563		12	-	7
IV-D Offset Fees Federal	93.563		5,286	(311)	3,034
			<u>655,802</u>	<u>(311)</u>	<u>338,149</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		239,896	-	-
Administration	93.568		36,745	-	-
Crisis Intervention payments	93.568		58,516	-	-
			<u>335,157</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 and Early Education					
Subsidized Child Care (Note 5)					
Child Care Development Fund Cluster:					
Division of Social Services					
Child Care Development Mandatory and Match Fund - Administration	93.596		66,416	-	-
Total Child Care Development Fund Cluster			<u>66,416</u>	<u>-</u>	<u>-</u>
Total Subsidized Child Care Cluster (Note 5)			<u>66,416</u>	<u>-</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:					
Stephanie Tubbs Jones Child Welfare Services Program:					
Permanency Planning - Families for Kids	93.645		20,131	-	6,710
Foster Care and Adoption Cluster (Note 5):					
Foster Care - Title IV-E:					
IV E CPS	93.658		73,733	28,857	44,876
IV-E Optional Adopt TRN 50%	93.659		5,386	-	5,386
IV-E Family Foster Care MAX	93.658		2,310	-	1,051
Foster Care payments	93.658		130,615	29,470	25,240
IV-E Foster Care /OFF TRN	93.658		255,020	-	255,020
IV-E Foster Care TRN	93.658		9,838	-	3,279
IV-E Foster Care & Extended Max	93.658		24,912	5,451	5,451
IV-E Admin County Paid to CCI	93.658		11,249	5,624	5,624
IV-E Adoption / Off Trn	93.659		18,237	-	18,237
IV-E adoption subsidy and vendor	93.659		43,668	8,067	7,897
Foster Care	N/A		30,477	-	13,613
Total Foster Care and Adoption Cluster (Note 5)			<u>605,445</u>	<u>77,469</u>	<u>385,674</u>

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2020**

	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 (SSBG):					
Family Planning:					
SSBG In-home services	93.667		\$ 7,156	\$ -	\$ 1,022
SSBG Adult Protective Services	93.667		6,493	-	-
SSBG In-home Services - SSBG other services	93.667		186,233	-	62,077
SSBG CPS TANF to SSBG	93.667		44,336	-	-
			<u>244,218</u>	<u>-</u>	<u>63,099</u>
Passed through NC Department of Health and Human Services:					
Administered by County Department of Social Services:					
John H. Chafee Foster Care Program for Successful Transition to Adulthood:					
Independent Living Transitional	93.674		796	-	-
Links	93.674		11,103	2,776	-
			<u>11,899</u>	<u>2,776</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:					
Medicaid Cluster:					
Medical Assistance Program (Medicaid; Title XIX):					
MA Expansion (MAC)	93.778		127,412	-	127,412
ADT CR HM CS Mgt/Spec	93.778		38,804	4,842	33,963
State County Special Assistance	93.778		54,677	-	18,226
Division of Social Services					
Administered by Carteret County DSS:					
Medicaid Cluster:					
Medical Assistance Program (Medicaid; Title XIX):					
Medical Assistance Administration	93.778		1,419,310	-	476,840
Transportation Administration	93.778		101,941	-	101,941
			<u>1,742,144</u>	<u>4,842</u>	<u>758,382</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					
Medicaid Cluster:					
Medical Assistance Program (Medicaid; Title XIX) - Cost Settlement					
	93.778		404,671	-	-
			<u>404,671</u>	<u>-</u>	<u>-</u>
Total Medicaid Cluster:			<u>2,146,815</u>	<u>4,842</u>	<u>758,382</u>
Division of Social Services					
Administered by Carteret County DSS:					
Children's Health Insurance Program - NC Health Choice					
	93.767		55,760	911	3,384
			<u>55,760</u>	<u>911</u>	<u>3,384</u>
Administered by Carteret County Health Department					
Hospital Preparedness Program (HPP) and Public Health Emergency					
Preparedness (PHEP) Aligned Cooperative Agreements					
	93.074		37,130	-	2,285
Public Health Emergency Response: Cooperative Agreement for					
Emergency Response: Public Health Crisis Response					
	93.354		63,953	-	-
Project Grants and Cooperative Agreements for					
Tuberculosis Control Programs					
	93.116		50	-	-
Immunization Cooperative Agreements					
	93.268		14,824	-	82,439
Viral Hepatitis Prevention and Control Grants					
	93.270		2,083	-	10,544
Preventive Health and Health Services Block Grant					
	93.991		40,495	-	85,836
			<u>158,535</u>	<u>-</u>	<u>181,104</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					
Cancer Prevention and Control Programs for State Organizations					
	93.898		11,700	-	28,314
Preventive Health Services - Sexually Transmitted Diseases Control Grants					
	93.977		56	-	-
Maternal and Child Health Services Block Grant					
	93.994		26,721	-	685,719
			<u>38,477</u>	<u>-</u>	<u>714,033</u>

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2020**

	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 Services	93.217		\$ 146,072	\$ -	\$ 174,366
Administration for Community Living					
Passed through NC Department of Insurance					
Administered by Carteret County Aging					
Medicare Improvements for Patients and Providers Act "MIPPA"	93.071	14AANCMSHI	1,943	-	-
Seniors' Health Insurance Information Program	93.324		6,452	-	-
			8,395	-	-
Total US Department of Health and Human Services			5,499,176	97,288	3,226,720
US Department of Homeland Security					
Passed through NC Department of Public Safety					
Division of Emergency Management-Homeland Security					
Administered by Carteret County Emergency Management Department					
Emergency Management Performance Grant Program "EMPG"	97.042	EMM-2017- EP-00007- S01 EMM-2017- SS-00085- 1763	37,135	-	-
Emergency Management Equipment Grant - Plum Cases	97.067		11,136	-	-
Administered by Carteret County Finance Department					
Disaster Grants - Public Assistance (Presidentially Declared Disasters):					
COVID-19 FEMA Disaster Grant Public Assistance	97.036		30,734	10,244	-
FEMA Disaster Grant Public Assistance	97.036		2,509,489	836,496	-
Total US Department of Homeland Security			2,588,494	846,740	-
State Assistance					
NC Department of Health and Human Services:					
Division of Social Services:					
Administered by County Department of Social Services:					
Energy Assistance, Private Grants			-	6,399	-
County Funded Programs			-	-	1,781,034
Non-Allocating County Cost			-	-	251,974
St Child Welfare/ CPS/ CS LD			-	37,193	-
Extended FC/MAC Non IV-E			-	7,608	-
Work First Non Reimbursable			-	-	457,310
AFDC Incent / Prog Integrity			-	230	-
CWS Adopt Subsidy & Vendor			-	-	63,124
SC/SA Domiciliary Care payment			-	-	286,242
SFHF Maximization			-	31,802	31,802
CSE Disater Non Reimbursable			-	-	43,097
State Foster Home			-	59,922	59,922
			-	143,154	2,974,505

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2020

	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					
Senior Center :					
90% State Funds - Access			\$ -	\$ 1,940	\$ 215
90% State Funds - In-Home Services			-	182,811	20,312
90% State Funds - Home Delivered Meals			-	37,636	4,182
			-	222,387	24,709
Division of Public Health					
Administered by the County Health Department					
Other Receipts/ State Supported Expenditures					
Food and Lodging Fees			-	21,179	-
General Aid to Counties			-	80,166	89,507
General Communicable Disease Control			-	1,756	53,198
Integrated Targeted Tested Services (ITTS)			-	2,053	-
Breast and Cervical Cancer Control			-	11,605	-
Child Health			-	10,822	-
Maternal Health (HMHC)			-	39,869	-
Women's Health Service Fund			-	9,235	-
HIV/STD State			-	500	-
STD Partner Services			-	294	-
HIV/ STD Prevention and Care			-	668	-
TB Control			-	12,493	-
Healthy Community Activities			-	3,785	-
Mosquito and Tick Suppression			-	16,000	-
School Nurse Funding Initiative			-	50,000	-
			-	260,425	142,705
Total NC Department of Health and Human Services			-	625,966	3,141,919
NC Department of Environmental Quality:					
Natural Resources Division:					
Passed through County Finance Office:					
White Goods Disposal			-	32,026	-
Scrap Tire Grant			-	2,487	-
Scrap Tire Disposal			-	96,137	-
			-	130,650	-
Division of Water Infrastructure					
Administered by County General Services Department					
Merger/Regionalization Feasibility Study			-	7,515	-
Division of Water Resources:					
Administered by County Shore Protection Office:					
Waterway and Dredging Projects			-	1,050,082	472,796
Bogue Banks Master Beach Renourishment Project		SL 2018-138	-	15,342,623	14,287,095
			-	16,392,705	14,759,891
Total NC Department of Environmental Quality			-	16,530,870	14,759,891

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2020

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
NC Wildlife Resources Commission:					
Administered by County Shore Protection Office:					
Waterway and Dredging Projects			-	54,227	-
NC Department of Natural and Cultural Resources:					
NC Parks and Recreation Trust Fund					
Administered by the County Planning & Inspections Department					
Land Acquisition Grant			-	500,000	-
NC Department of Public Safety:					
Division of Emergency Management					
Administered by County Finance Department:					
Services for Court Referrals					
Boys and Girls Club program			-	71,357	-
Easter Seals Home Based Services - Building Bridges			-	54,736	50,596
Juvenile Crime Prevention			-	5,519	-
Teen Court			-	53,094	-
Total NC Department of Public Safety			-	184,706	50,596
NC Department of Military and Veteran Affairs:					
Office of Fiscal Management					
Administered by the County Veterans Services					
Veteran Services			-	2,182	371,516
NC Department of Administration:					
Division of NC-CFW					
Administered by the County Rape Crisis Department					
Sexual Assault Grant Rape Crisis			-	43,641	8,728
NC Board of Elections:					
Administered by the County Elections Department					
Voter ID Equipment Grant			-	2,334	-
NC Office of State Budget and Management:					
State's Disaster Recovery Act					
Administered by the County Planning & Inspections Department					
Bogue Sound Project		224-H	-	3,300,000	-
NC Department of Public Instruction:					
Public School Building Capital Fund					
Administered by the County Finance Department					
Lottery Proceeds Allocation			-	600,000	-
NC Department of Transportation:					
Administered by the Carteret County Transportation Department					
20 CO-54 Carteret County Operating		DOT 11	-	103,539	103,539
NC DOT Cluster ROAP:					
ROAP Rural General Public Program		DOT-16CL	-	113,468	11,347
ROAP Work First Transitional - Employment		DOT-16CL	-	20,548	-
ROAP Elderly and Disabled Transportation Assistance Program		DOT-16CL	-	93,952	-
Total ROAP Cluster			-	227,968	11,347
Total NC Department of Transportation			-	331,507	114,886
Total Federal Expenditures			\$ 10,679,942		
Total State Expenditures				\$ 23,130,900	
Total Local Expenditures					\$ 22,415,858

Carteret County, North Carolina

Notes to Schedule of Expenditures of Federal and State Awards Year Ended June 30, 2020

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, 2020. 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.

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.

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 \$9,039,428 have not been reported as expenditures in the basic financial statements or in the Schedule.

Carteret County does not have any federal or State amounts passed through subrecipients.

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, 2020:

	Beginning Balance June 30, 2019	Additions	Retirements	Ending Balance June 30, 2020
Revenue Bond	\$ 962,000	\$ -	\$ 18,000	\$ 944,000
Installment purchase obligations	1,104,128	-	171,032	933,096
	<u>\$ 2,066,128</u>	<u>\$ -</u>	<u>\$ 189,032</u>	<u>\$ 1,877,096</u>

Carteret County, North Carolina

**Notes to Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2020**

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.

Note 6. Indirect Costs

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.