

McGladrey & Pullen

Certified Public Accountants

Carteret County, North Carolina

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2006

Prepared by the Finance Department
Dee Meshaw, Finance Director

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Introductory Section

Letter of Transmittal

List of Principal Officials

Organizational Chart

Map of Carteret County, North Carolina

November 15, 2006

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, 2006.

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 McGladrey & Pullen, 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, 2006 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 unqualified opinion that the County's financial statements for the fiscal year ended June 30, 2006, 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 61,000 residents living in or around municipalities and rural "Down East" maritime communities. Carteret County contains 526 square miles of land area and a coastline nearly 80 miles long. The County is bordered on the north by the Pamlico Sound and on the east and south by the Atlantic Ocean. Eleven municipalities are located within the County, with Morehead City being the largest. Beaufort, the third oldest town in North Carolina, serves as the County seat.

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

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

The annual budget serves as the foundation for the County's financial planning and control. All agencies of the County are required to submit requests for appropriation to the county manager's office on or before the end of February each year. The appropriated budget is prepared by fund, function (e.g. public safety), and department (e.g. law enforcement). 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. He may transfer amounts up to \$20,000 between departments of the same fund. He may not transfer any amount between funds or from contingency appropriation within any fund without action of the Board of Commissioners. The manager may also transfer amounts within and between funds for the sole 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 28 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).

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 its successful transition from a seasonal economy dependent on tourism to a diversified, year-round economy. Annual unemployment average was 4.22% for the County compared to 4.59% in the prior year. Although the tourism industry continues to perform well with an average annual economic impact of \$236.24 million, much of the improvement in the economy is attributable to the diversification of the economy into manufacturing, distribution, research, and the construction trades.

Industrial Parks

The Jarrett Bay Marine Industrial Park is approximately 170 acres north of Beaufort on the Intracoastal Waterway. The Park concentrates on the boat industry. Carteret County has thirty boat builders, the largest number in NC. The Park continues to expand with 26 of the 29 lots available sold in the second phase of the industrial park.

Crystal Coast Business Park is located off US 70 in Morehead City. The park is 58 acres with eleven parcels. Six 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.

Marine Research

Major expansions in marine research industry continue in the County. Duke Marine Lab continues its \$2.3 million expansion constructing its first totally "green" building. University of North Carolina Chapel Hill Institute of Marine Science and NC State University Center for Marine Sciences and Technology are located in the County as well.

The NC Aquarium in Pine Knoll Shores completed its \$23 million expansion. The aquariums square footage more than tripled from 29,000 to 93,000 square feet. New exhibits include a 306,000 gallon ocean tank. The aquarium reopened in May 2006.

The following table lists the 10 largest manufacturing and nonmanufacturing employers in the County in 2006:

| Employer | Service | Approximate number of Employees |
|--|------------------------|---------------------------------|
| Carteret County Public Schools | Education | 1,458 |
| Carteret General Hospital | Medical | 878 |
| Wal Mart | Retail | 532 |
| Carteret County | Government Service | 418 |
| Carteret Community College | Education | 359 |
| U.S. Coast Guard | Military | 349 |
| Atlantic Veneer | Hardwood Veneer | 351 |
| Food Lion | Food Services | 349 |
| NC Natural Resources & Community Development | Government | 203 |
| Henry's Tackle & Sporting Goods | Wholesale Distribution | 197 |

Source: Carteret County Economic Development Council, March 2005

Long-Term Financial Planning

The County's operating budget for the fiscal year ending June 30, 2007 totals \$88,206,851 with a tax rate of \$.44 per \$100 of assessed value, based on a total valuation of \$8,841,822,050. The County anticipates moderate growth in its tax base. For the County's operating budget for the fiscal year June 30, 2008, it is anticipated that the tax rate would need to be between \$.30 and \$.33 per \$100 of assessed value to maintain the current level of service. The County's revaluation will be effective for fiscal year ending June 30, 2008, and the estimated tax rate is only estimated.

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% undesignated fund balance in the General Fund.

Cash Management

Effective financial planning and cash management practices have aided in the efficient use of available resources. The County continues to have a cash management program designed to assure safety of principal, sufficient liquidity for current operations, and the attainment of market-average rate of return. The demand deposit checking accounts are interest earnings. Idle cash is invested using competitive bidding among all banks with investments awarded based on the highest yield. The County uses the bond trading areas of Wachovia Bank, BB&T, and First Citizens Bank for pricing and yields on various securities that are purchased. Carteret County invests primarily in government agencies.

Pension and Other Postemployment Benefits

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. The Separation Allowance is equal to .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 allowance 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. The County finances this on a pay-as-you-go basis.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2005, the Separation Allowance's membership consisted of:

| | |
|----------------------------------|-----------|
| Retirees receiving benefits | 0 |
| Terminated plan members entitled | |
| But not yet receiving benefits | 0 |
| Active plan members | <u>39</u> |
| Total | <u>39</u> |

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employee's Retirements System (Death Benefit Plan), a State administered plan funded on a one year-term cost basis.

The County also provides a pension benefits for all County employees through a statewide plan managed by the Department of State Treasurer, Retirement Division. The County has no obligation in connection with employee benefits offered through this plan beyond its annual contractual payment to the Retirement Division.

The County also provides post retirement health care benefits for certain retirees. At the end of the current fiscal year, there were 29 retired employees receiving this benefit, which is financed on a pay-as-you-go basis. GAAP does not require governments to report a liability in the financial statements in connection with an employer's obligation to provide this benefit. Additional information of the County's pension arrangements and postemployment benefits can be found in Note 10 and 11 in the notes to the financial statements.

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, 2005. This was the eighth 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, 2006. 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 devise.

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 McGladrey & Pullen, LLP without whose dedicated assistance this report could not have been produced. Gratitude goes to the Board of Commissioners for their continued interest and support throughout the past year.

Sincerely,

Dee H. Meshaw
Finance Director

CARTERET COUNTY, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS JUNE 30, 2006

BOARD OF COMMISSIONERS

Douglas Harris
Chairman
Atlantic Beach, North Carolina

JONATHAN ROBINSON
Vice Chairman
Atlantic, North Carolina

RAYMOND MUNS
Newport, North Carolina

Lynda Clay
Morehead City, North Carolina

THOMAS STEEPY
Beaufort, North Carolina

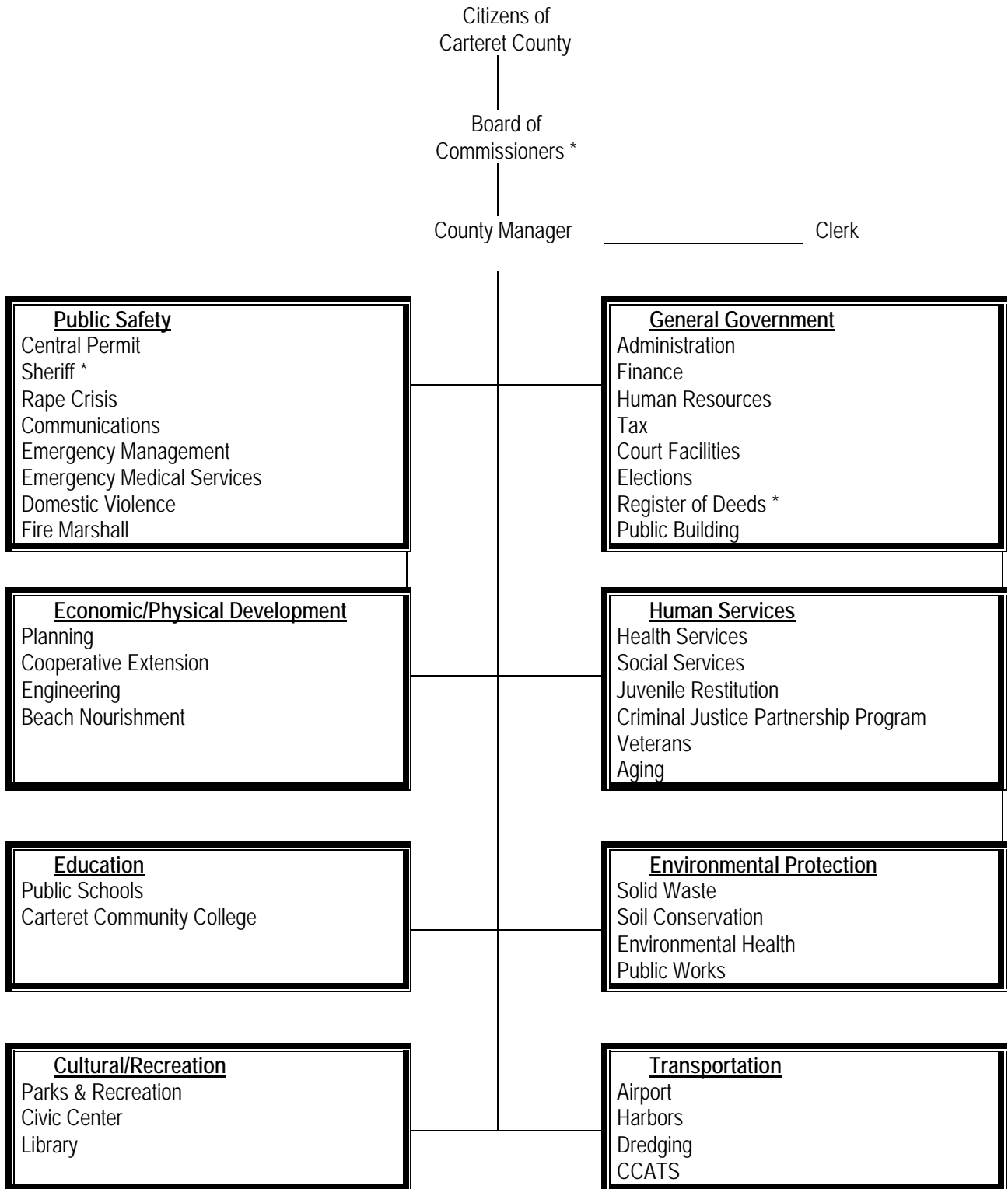
PAT McELRAFT
Emerald Isle, North Carolina

HOLT FAIRCLOTH
Morehead City, North Carolina

COUNTY OFFICIALS

| | |
|-------------------|------------------------------------|
| John Langdon | County Manager |
| Dee H. Meshaw | Finance Director |
| Ralph Thomas, Jr. | Sheriff |
| Melanie Arthur | Register of Deeds |
| J.T. Garrett | Health Director |
| Katrina Marshall | Planning & Central Permit Director |
| Clint Lewis | Interim Social Services Director |
| Allen Smith | Emergency Management Director |
| Myles McLoughlin | Human Resources Director |
| Deborah Pasteur | Parks & Recreation Director |
| Carl Tilghman | Tax Administrator |
| Steve Baker | Information Technology Director |

**Carteret County, North Carolina
Organizational Chart**



* Elected Officials

MAP OF
CARTERET COUNTY, NORTH CAROLINA

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, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Thomas J. Hawn".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

Financial Section

-
- Independent Auditor's Report
 - Management's Discussion and Analysis
 - Basic Financial Statements
 - Notes to Financial Statements
 - Supplementary Information
-

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of County Commissioners
Carteret County, North Carolina
Beaufort, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carteret County, North Carolina (the "County"), as of and for the fiscal year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Carteret County, North Carolina's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Beaufort-Morehead City Airport Authority, Carteret County Tourism Development Authority, Carteret County Alcoholic Beverage Control ("ABC") Board or Carteret County General Hospital Corporation, which constitute all of the County's discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based 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 of material misstatement. The financial statements of Carteret County ABC Board and Carteret County General Hospital Corporation, each discretely presented component units, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of 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, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and Occupancy Tax Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2006 on our consideration of Carteret County, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages 12 through 20 and 75 through 76, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standard Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carteret County, North Carolina's basic financial statements. The combining and individual fund financial statements and other schedules listed in the table of contents as supplementary information 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. Additionally, the accompanying Schedule of Expenditures of Federal and State Awards as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining and individual fund financial statements and other schedules and the Schedule of Expenditures of Federal and State Awards have been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion 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 express no opinion on them.

McGladrey & Pullen, LLP

Morehead City, North Carolina
September 27, 2006

Management's Discussion and Analysis
June 30, 2006

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, 2006. 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, and the preceding letter of transmittal.

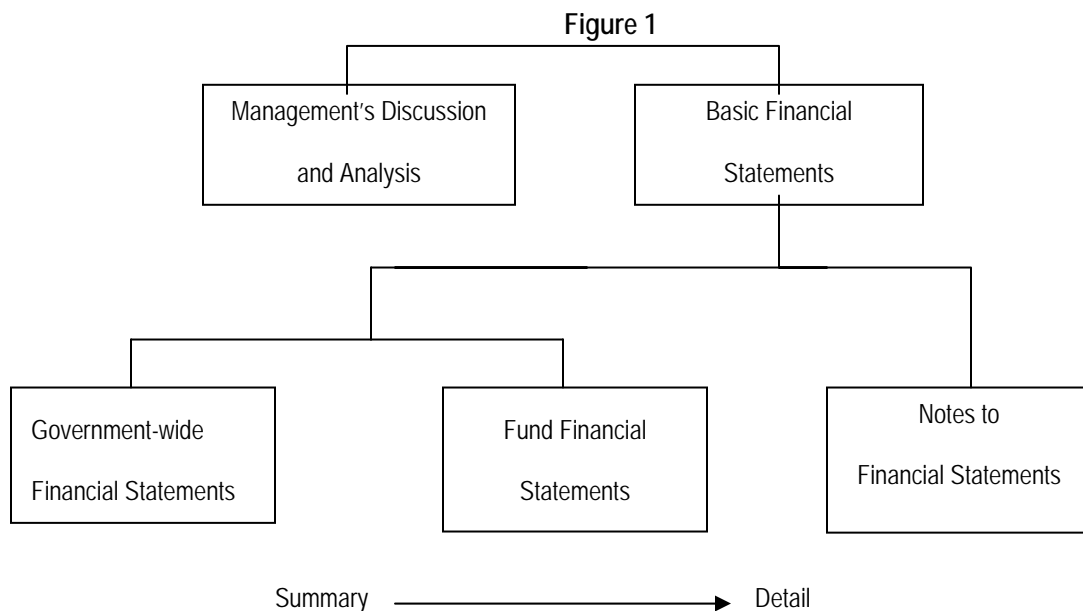
Financial Highlights

- The assets of Carteret County (primary government) were greater than its liabilities at the close of the fiscal year by \$17,432,516 (*net assets*).
- At the end of the current fiscal year, unreserved and undesignated fund balance for the General Fund was \$18,814,243 or 31.1 percent of total general fund expenditures for the fiscal year.
- The County's total long-term debt (Figure 5) increased by \$18,165,848 due primarily to issuing \$22 million general obligation bonds. The County's governmental long-term debt increased \$17,825,000 due to the general obligation bonds issuance. The Water Fund's debt increased by \$340,848 for the Phase II expansion of water lines.
- The County received an upgrade from Fitch Ratings from AA- to AA, and maintained its Aa3 (Moody's Investor Services) for the 6th consecutive year and its Aa- by Standard & Poor's for the third consecutive 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. 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



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 statements.

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. After the notes, **supplemental information** is provided to show details about the County's non-major governmental funds and internal service 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 assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets 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 Board by appointing its members.

The government-wide financial statements are on pages 21 – 24 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.

Management's Discussion and Analysis
June 30, 2006

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 Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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.

Proprietary Funds – The County has two kinds of proprietary funds. *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 Assets and the Statement of Activities. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among functions of the County. The County has one *Internal Service Fund*, which is used to account for self insurance for health benefits.

Fiduciary Funds – Fiduciary funds are used to account for assets the County holds on behalf of others. The County has two agency funds.

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 35 – 74 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 75 of this report.

Management's Discussion and Analysis
June 30, 2006

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the County exceeded liabilities by \$17,432,516. The County's net assets increased by \$9,739,320 for the fiscal year ended June 30, 2006. Net assets are reported in three categories: invested in capital assets, net of related debt of \$27,030,320, restricted net assets of \$4,154,799, and unrestricted net assets of (\$13,752,603).

The invested in capital assets, net of related debt 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 assets is restricted net assets. This represents resources that are subject to external restriction on how they may be used. The final category of net assets is unrestricted net assets. This balance may be used to meet the government's ongoing obligation to citizens and creditors. At June 30, 2006, the total unrestricted net assets reported a deficit of \$13,752,603. Of the County's net assets, \$4,154,799 represents resources that are subject to external restrictions on how they are to be used.

As with many counties in the State of North Carolina, the County's deficit in unrestricted net assets 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 and general obligation 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. Since the County, as the 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 \$64.57 million of the outstanding debt on the County's financial statements was related to assets included in the school system and community college's financial statements. However, since the majority of this school system and community college related debt is general obligation debt, it is collateralized by the full faith, credit, and taxing power of the County. Accordingly, the County is authorized and required by State law to levy ad valorem taxes, without limit as to rate or amount, as may be necessary to pay the debt service on its general obligation bonds. Principal and interest requirements will be provided by an appropriation in the year in which they become due.

Management's Discussion and Analysis
June 30, 2006

The County's Net Assets

Figure 2

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|---------------------|--------------------------|---------------------|----------------------|---------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Current and other assets | \$ 61,368,713 | \$ 33,011,884 | \$ 339,183 | \$ 101,782 | \$ 61,707,896 | \$ 33,113,666 |
| Capital assets | 26,949,524 | 25,976,050 | 6,959,515 | 6,891,787 | 33,909,039 | 32,867,837 |
| Total assets | 88,318,237 | 58,987,934 | 7,298,698 | 6,993,569 | 95,616,935 | 65,981,503 |
| Long-term liabilities | | | | | | |
| outstanding | 69,098,874 | 50,743,463 | 3,334,443 | 2,987,872 | 72,433,317 | 53,731,335 |
| Other liabilities | 5,610,381 | 4,344,457 | 140,720 | 212,955 | 5,751,101 | 4,557,412 |
| Total liabilities | 74,709,255 | 55,087,920 | 3,475,163 | 3,200,827 | 78,184,418 | 58,288,747 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 23,399,525 | 21,956,051 | 3,630,795 | 3,903,915 | 27,030,320 | 25,859,966 |
| Restricted | 4,154,799 | 3,437,892 | - | - | 4,154,799 | 3,437,892 |
| Unrestricted | (13,945,342) | (21,493,929) | 192,740 | (110,733) | (13,752,602) | (21,604,662) |
| Total net assets | \$ 13,608,982 | \$ 3,900,014 | \$ 3,823,535 | \$ 3,793,182 | \$ 17,432,517 | \$ 7,693,196 |

Governmental activities: Governmental activities increased the County's net assets by \$9,708,968 from fiscal year 2005. Key elements of this increase are as follows:

- The County did not increase its General Fund ad valorem property tax rate from fiscal year 2005 to fiscal year 2006. The \$1.75 million or 4.71 percent growth in revenue is due to construction growth in the County.
- The County also had growth in sales tax. Sales tax increased 11.4% or approximately \$1.63 million from the prior fiscal year.
- Governmental activities charges for services increased approximately \$1.9 million from the previous fiscal year. This is primarily due to increases in the number of recorded transactions in register of deeds revenue collected and the County's increase in solid waste fees in fiscal year 2006 in order to make solid waste more self supporting. In addition, other general governmental revenue increased as well.
- Public Safety increased approximately \$743,690 from the prior fiscal year. This is due to increased funding in the Sheriff's Department and emergency management.
- Environmental protection expenses increased approximately \$800,000 from the prior year. The increase was due to debris cleanup from Hurricane Ophelia.
- Education expenses increased slightly from the prior year due to increases in operation expenditures funding.
- Cultural and recreation expenses increased approximately \$450,000 due to increased funding for park maintenance and increased funding for the county libraries.

Business-type activities: Business-type activities increased the County's net assets by \$30,352. During fiscal year 2006, the County completed the Phase II water line expansion, and the County added 874 water customers.

Carteret County, North Carolina

Management's Discussion and Analysis
June 30, 2006

The County's Changes in Net Assets

Figure 3

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|---------------------|--------------------------|---------------------|----------------------|---------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 7,407,448 | \$ 5,472,379 | \$ 361,888 | \$ 264,634 | \$ 7,769,336 | \$ 5,737,013 |
| Operating grants and contributions | 9,610,073 | 10,857,170 | - | - | 9,610,073 | 10,857,170 |
| Capital grants and contributions | 891,782 | - | - | 925 | 891,782 | 925 |
| General revenues: | | | | | | |
| Property taxes | 38,994,213 | 37,240,867 | - | - | 38,994,213 | 37,240,867 |
| Other taxes | 21,034,001 | 18,828,672 | - | - | 21,034,001 | 18,828,672 |
| Other | 1,469,003 | 3,190,789 | 65,008 | 3,800 | 1,534,011 | 3,194,589 |
| Total revenues | 79,406,520 | 75,589,877 | 426,896 | 269,359 | 79,833,416 | 75,859,236 |
| Expenses: | | | | | | |
| General government | 4,996,540 | 4,759,100 | - | - | 4,996,540 | 4,759,100 |
| Public safety | 13,459,003 | 12,715,313 | - | - | 13,459,003 | 12,715,313 |
| Transportation | 710,225 | 690,254 | - | - | 710,225 | 690,254 |
| Economic and physical development | 5,571,720 | 6,274,478 | - | - | 5,571,720 | 6,274,478 |
| Environmental protection | 3,362,113 | 2,565,112 | - | - | 3,362,113 | 2,565,112 |
| Human services | 14,971,013 | 14,295,871 | - | - | 14,971,013 | 14,295,871 |
| Cultural and recreation | 2,910,221 | 2,461,256 | - | - | 2,910,221 | 2,461,256 |
| Education | 21,224,743 | 21,085,306 | - | - | 21,224,743 | 21,085,306 |
| Interest on long-term debt | 2,281,034 | 2,373,932 | - | - | 2,281,034 | 2,373,932 |
| Water | - | - | 607,483 | 420,599 | 607,483 | 420,599 |
| Total expenses | 69,486,612 | 67,220,622 | 607,483 | 420,599 | 70,094,095 | 67,641,221 |
| Increase (decrease) in net assets before transfers | 9,919,908 | 8,369,255 | (180,587) | (151,240) | 9,739,321 | 8,218,015 |
| Transfers | (210,940) | (70,621) | 210,940 | 70,621 | - | - |
| Increase (decrease) in net assets | 9,708,968 | 8,298,634 | 30,353 | (80,619) | 9,739,321 | 8,218,015 |
| Net assets, July 1, | 3,900,014 | (4,398,620) | 3,793,182 | 3,873,801 | 7,693,196 | (524,819) |
| Net assets, June 30 | \$ 13,608,982 | \$ 3,900,014 | \$ 3,823,535 | \$ 3,793,182 | \$ 17,432,517 | \$ 7,693,196 |

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.

Management's Discussion and Analysis
June 30, 2006

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, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved and undesignated fund balance of the General Fund was \$18,814,243, while total fund balance reached \$28,276,477. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 31.1 percent of total General Fund expenditures, while total fund balance represents 46.8 percent of that same amount.

At June 30, 2006, the governmental funds of the County reported a combined fund balance of \$53,317,508.

General Fund Budgetary Highlights

During fiscal year 2006, the County's financial picture was good. Revenues exceeded budgeted revenues by \$3.7 million. The \$3.7 million is a combination of a higher ad valorem tax base, sales tax growth, and increases in permits and fees. This helped the County to increase its fund balance for the fifth consecutive year and finish the year in sound financial condition.

The County revised the budget on several occasions. Generally, budget amendments fall into one of four categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; 3) increases in appropriations that become necessary to maintain services; and 4) to increase debt service for refunding existing debt. Total amendments to the General Fund increased estimated revenues by \$1,240,987 and appropriations by \$2,568,696.

As stated above, the actual operating revenues for the General Fund were more than the budgeted amount by \$3.7 million. The County's expenditures were less than the budgeted amount by \$2.9 million, and is mostly due to savings in Medicaid and other human services programs, general government and public safety.

Proprietary Funds. The County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water Fund at the end of the fiscal year was \$192,739. The primary factors affecting the finances of this fund were addressed in the discussion of the County's business-type activities.

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, 2006, totals \$33,909,039 (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:

- Improvements to the County Administration building that included renovations to construct a new courtroom.
- Purchasing new voting equipment that was authorized by the State of North Carolina.
- Completion of the Eastern Park expansion and development.
- Computer Servers and E-911 equipment.
- Purchase of vehicles in departments including 6 Sheriff Department vehicles.

Management's Discussion and Analysis
June 30, 2006

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 | |
|--------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Land | \$ 3,878,273 | \$ 3,736,879 | \$ 52,500 | \$ 52,500 | \$ 3,930,773 | \$ 3,789,379 |
| Buildings | 16,628,996 | 17,827,721 | 1,930,885 | 2,001,527 | 18,559,881 | 19,829,248 |
| Water lines | - | - | 4,957,360 | 2,170,455 | 4,957,360 | 2,170,455 |
| Vehicles | 1,115,624 | 925,355 | 18,770 | 11,746 | 1,134,394 | 937,101 |
| Equipment | 1,151,126 | 637,987 | - | 7,823 | 1,151,126 | 645,810 |
| Airport facilities | 273,963 | 348,813 | - | - | 273,963 | 348,813 |
| Other improvements | 3,620,372 | 2,232,730 | - | - | 3,620,372 | 2,232,730 |
| Construction in progress | 281,170 | 266,565 | - | 2,647,736 | 281,170 | 2,914,301 |
| Total | \$ 26,949,524 | \$ 25,976,050 | \$ 6,959,515 | \$ 6,891,787 | \$ 33,909,039 | \$ 32,867,837 |

Long-Term Debt. As of June 30, 2006, the County had total bonded debt outstanding of \$47,605,000, 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.

General Obligation, Capital Leases and Installment Notes Payable

Figure 5

| | Governmental Activities | | Business-Type Activities | | Total | |
|------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| General obligation bonds | \$ 47,605,000 | \$ 27,650,000 | \$ - | \$ - | \$ 47,605,000 | \$ 27,650,000 |
| Certificate of participation | 18,715,000 | 20,545,000 | - | - | 18,715,000 | 20,545,000 |
| Installment note payable | 1,800,000 | 2,100,000 | 3,327,544 | 2,980,303 | 5,127,544 | 5,080,303 |
| Capital lease | - | - | 1,176 | 7,569 | 1,176 | 7,569 |
| Total long-term debt | \$ 68,120,000 | \$ 50,295,000 | \$ 3,328,720 | \$ 2,987,872 | \$ 71,448,720 | \$ 53,282,872 |

The County's total debt increased by \$18,165,848 (excluding deferred amounts) or 34.1% during the past fiscal year. The increase is due to the issuance of \$22 million of general obligation bonds in governmental debt. The water fund's debt increased \$340,848 due to the phase II expansion that is funded by a state revolving loan.

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

| | |
|---------------------------|-----|
| Moody's Investor Services | Aa3 |
| Standard & Poor's | Aa- |
| Fitch IBCA | AA |

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

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin at June 30, 2006 for the County is \$559,054,134.

Additional information regarding the County's long-term debt can be found in Note 9 on pages 57 - 63 of this report.

Management's Discussion and Analysis
June 30, 2006

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, 2006, the unemployment rate for the County averaged 4.22%, compared to the 4.59% for FY 2005. This compares favorably to the state's average unemployment rate of 4.88% for FY 2006. In addition, residential and commercial development continues to grow in the County. This growth along with other revenue growth, such as sales tax, has enabled the County to continue meeting its capital needs and demands for services without having to increase the ad valorem tax rate for the past four years.

Budget Highlights for the Fiscal Year Ending June 30, 2007

Governmental Activities: The County has approved a \$72.63 million general fund budget for fiscal year 2007 which represents an \$8.79 million or 13.8% increase over fiscal year 2006. The increases are mostly in funding the public school system and the community college, and debt service. The County will make its first debt payments on the \$22 million general obligation bonds issued in April 2006. Other increases are in general government, human services, economic and physical development and cultural and recreation. There is a two cent ad valorem tax increase for the General Fund. Other revenues are budgeted conservatively. The FY 2007 fund balance appropriation for the General Fund is \$825,000.

Education is the largest service area in terms of its portion of total expenditures. Capital and operating education expenditures total \$22,544,853 or 25.56% of the FY 2007 budget. This area includes funding for the public school system and the Carteret County Community College. Budgeted expenditures for public education operating expenses increase \$1,087,711 which will increase the per pupil allocation to \$2,119. School capital funding is \$335,083 decrease or (12%).

In addition, the Board of Commissioners has invested in the County departments for fiscal year 2007. The Board has funded replacing vehicles and capital equipment, investing in parks by funding land for a new park and increasing water access facilities, and investing in staff. The Board funded thirteen new positions in various under staffed departments as well as funding merit pay increases.

On November 8, 2005, the voters approved a \$50.01 million school bond. These bonds will fund building expansions and extensive renovations to our public schools. The County issued \$22 million of the bonds in April 2006, and anticipates issuing \$18 million in the spring 2007.

Beginning July 2006, the Board of Commissioners increased water rates twenty percent. The increase was necessary in order for the fund to become more self supporting.

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 Director of Finance, Carteret County, Courthouse Square, Beaufort, NC 28516.

Carteret County, North Carolina

Statement of Net Assets
June 30, 2006

| | Primary Government | | |
|--|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Assets | | | |
| Cash and cash equivalents | \$ 1,635,915 | \$ 284,553 | \$ 1,920,468 |
| Investments | 25,754,456 | - | 25,754,456 |
| Receivables (net) | 9,260,109 | 54,630 | 9,314,739 |
| Due from component unit | 298,258 | - | 298,258 |
| Inventories | - | - | - |
| Prepaid items | - | - | - |
| Restricted assets: | | | |
| Cash and investments | 23,934,487 | - | 23,934,487 |
| Deferred charges, issuance cost | 485,488 | - | 485,488 |
| Other assets | - | - | - |
| Capital assets: | | | |
| Land, improvements, and construction in progress | 4,159,443 | 52,500 | 4,211,943 |
| Other capital assets, net of depreciation | 22,790,081 | 6,907,015 | 29,697,096 |
| Total capital assets | 26,949,524 | 6,959,515 | 33,909,039 |
| Total assets | 88,318,237 | 7,298,698 | 95,616,935 |
| Liabilities | | | |
| Accounts payable and accrued expenses | 4,864,146 | 25,662 | 4,889,808 |
| Accrued interest payable | 721,605 | 67,108 | 788,713 |
| Customer deposits | - | 47,950 | 47,950 |
| Due to primary government | - | - | - |
| Unearned revenue | 24,630 | - | 24,630 |
| Long-term liabilities: | | | |
| Due within one year | 5,159,411 | 177,931 | 5,337,342 |
| Due in more than one year | 63,939,463 | 3,156,512 | 67,095,975 |
| Total liabilities | 74,709,255 | 3,475,163 | 78,184,418 |
| Net Assets | | | |
| Invested in capital assets, net of related debt | 23,399,525 | 3,630,795 | 27,030,320 |
| Restricted for: | | | |
| Public Safety | 735,928 | - | 735,928 |
| Economic Development | 2,092,265 | - | 2,092,265 |
| Cultural and Recreation | 55,053 | - | 55,053 |
| Register of Deeds | 190,045 | - | 190,045 |
| Human Services | 1,081,508 | - | 1,081,508 |
| Other purposes | - | - | - |
| Unrestricted (deficit) | (13,945,342) | 192,740 | (13,752,602) |
| Total net assets | \$ 13,608,982 | \$ 3,823,535 | \$ 17,432,517 |

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 |
| \$ 119,991 | \$ 672,401 | \$ 28,687,256 | \$ 772,439 |
| - | - | - | - |
| 22,463 | 787,313 | 13,397,622 | 588 |
| - | - | - | - |
| - | - | 1,468,165 | 1,152,837 |
| 2,686 | - | 1,081,641 | 1,634 |
| - | - | 6,849,697 | - |
| - | - | - | - |
| - | - | 3,153,019 | - |
| 295,962 | 56,757 | 3,760,678 | - |
| 974,495 | 102,860 | 34,027,878 | 1,780,621 |
| 1,270,457 | 159,617 | 37,788,556 | 1,780,621 |
| 1,415,597 | 1,619,331 | 92,425,956 | 3,708,119 |
| 28,102 | 21,089 | 9,102,375 | 960,348 |
| - | - | 6,285 | - |
| - | - | - | - |
| - | - | - | 121,624 |
| - | - | 6,180,171 | - |
| 18,240 | 3,252 | 1,690,143 | 5,000 |
| 158,393 | 9,755 | 5,611,869 | 697,835 |
| 204,735 | 34,096 | 22,590,843 | 1,784,807 |
| 1,093,824 | 159,617 | 30,486,544 | 1,077,786 |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | 787,313 | 243,442 | 580,142 |
| 117,038 | 638,305 | 39,105,127 | 265,384 |
| \$ 1,210,862 | \$ 1,585,235 | \$ 69,835,113 | \$ 1,923,312 |

Carteret County, North Carolina

Statement of Activities
Year Ended June 30, 2006

| Functions/Programs | Expenses | Program Revenues | | |
|---|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 4,996,540 | \$ 3,328,301 | \$ 234,518 | \$ - |
| Public safety | 13,459,003 | 227,728 | 795,183 | 191,221 |
| Transportation | 710,225 | 86,527 | 268,667 | 143,313 |
| Economic and physical development | 5,571,720 | 832,350 | 256,175 | 508,607 |
| Environmental protection | 3,362,113 | 2,136,283 | 573,220 | - |
| Human services | 14,971,013 | 557,621 | 6,975,699 | - |
| Cultural and recreation | 2,910,221 | 238,638 | - | 48,641 |
| Education | 21,224,743 | - | 506,611 | - |
| Interest on long-term debt | 2,281,034 | - | - | - |
| Total governmental activities | 69,486,612 | 7,407,448 | 9,610,073 | 891,782 |
| Business-type activities: | | | | |
| Water | 607,483 | 361,888 | - | - |
| Total primary government | \$ 70,094,095 | \$ 7,769,336 | \$ 9,610,073 | \$ 891,782 |
| Component units: | | | | |
| Airport Authority | \$ 156,926 | \$ 75,193 | \$ 253,649 | \$ - |
| Tourism Development Authority | 2,729,535 | 2,291,659 | 150,000 | - |
| Hospital | 80,968,679 | 84,075,557 | 505,855 | - |
| ABC Board | 7,001,026 | 7,281,400 | - | - |
| Total component units | \$ 90,856,166 | \$ 93,723,809 | \$ 909,504 | \$ - |
| General revenues: | | | | |
| Taxes: | | | | |
| Property taxes, levied for general purpose | | | | |
| Local option sales tax | | | | |
| Other taxes and licenses | | | | |
| Unrestricted intergovernmental | | | | |
| Investment earnings, unrestricted | | | | |
| Miscellaneous, unrestricted | | | | |
| Transfers | | | | |
| Total general revenues and transfers | | | | |
| Change in net assets | | | | |
| Net assets, beginning | | | | |
| Net assets, ending | | | | |

See Notes to Financial Statements.

| Net (Expense) Revenue and Changes in Net Assets | | | Net (Expense) Revenue and Changes in Net Assets | | | |
|---|--------------------------|----------------|---|-------------------------------|--|---------------------------|
| 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 |
| \$ (1,433,721) | \$ - | \$ (1,433,721) | | | | |
| (12,244,871) | - | (12,244,871) | | | | |
| (211,718) | - | (211,718) | | | | |
| (3,974,588) | - | (3,974,588) | | | | |
| (652,610) | - | (652,610) | | | | |
| (7,437,693) | - | (7,437,693) | | | | |
| (2,622,942) | - | (2,622,942) | | | | |
| (20,718,132) | - | (20,718,132) | | | | |
| (2,281,034) | - | (2,281,034) | | | | |
| (51,577,309) | - | (51,577,309) | | | | |
| - | (245,595) | (245,595) | | | | |
| (51,577,309) | (245,595) | (51,822,904) | | | | |
| | | | \$ 171,916 | \$ - | \$ - | \$ - |
| | | | - | (287,876) | - | - |
| | | | - | - | 3,612,733 | - |
| | | | - | - | - | 280,374 |
| | | | 171,916 | (287,876) | 3,612,733 | 280,374 |
| 38,994,213 | - | 38,994,213 | - | - | - | - |
| 15,963,662 | - | 15,963,662 | - | - | - | - |
| 5,070,339 | - | 5,070,339 | - | - | - | - |
| 164,954 | 56,084 | 221,038 | 101,892 | - | - | - |
| 1,302,511 | 8,924 | 1,311,435 | 1,545 | 55,458 | 789,592 | 19,792 |
| 1,538 | - | 1,538 | 20,181 | 4,760 | - | - |
| (210,940) | 210,940 | - | - | - | - | - |
| 61,286,277 | 275,948 | 61,562,225 | 123,618 | 60,218 | 789,592 | 19,792 |
| 9,708,968 | 30,353 | 9,739,321 | 295,534 | (227,658) | 4,402,325 | 300,166 |
| 3,900,014 | 3,793,182 | 7,693,196 | 915,328 | 1,812,893 | 65,432,788 | 1,623,146 |
| \$ 13,608,982 | \$ 3,823,535 | \$ 17,432,517 | \$ 1,210,862 | \$ 1,585,235 | \$ 69,835,113 | \$ 1,923,312 |

Carteret County, North Carolina

Balance Sheet - Governmental Funds
June 30, 2006

| | Governmental Fund Types | | | | |
|---|-------------------------|-------------------|----------------------|-----------------------------|--------------------------------|
| | Major Funds | | | Total Non-Major Funds | Total Governmental Funds |
| | General | Occupancy | 2006 School | | |
| | | Tax Fund | Project Fund | | |
| Assets | | | | | |
| Cash and investments | \$ 25,447,087 | \$ 173,312 | \$ 22,349,936 | \$ 3,189,841 | \$ 51,160,176 |
| Receivables, net | 6,620,327 | 800,907 | - | 744,726 | 8,165,960 |
| Due from component units | 298,258 | - | - | - | 298,258 |
| Total assets | \$ 32,365,672 | \$ 974,219 | \$ 22,349,936 | \$ 3,934,567 | \$ 59,624,394 |
| Liabilities and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities | \$ 2,340,120 | \$ 965,787 | \$ 178,797 | \$ 822,450 | \$ 4,307,154 |
| Due to other funds | 51,404 | - | - | - | 51,404 |
| Unearned revenue | 24,630 | - | - | - | 24,630 |
| Deferred revenue | 1,673,041 | - | - | 250,657 | 1,923,698 |
| Total liabilities | 4,089,195 | 965,787 | 178,797 | 1,073,107 | 6,306,886 |
| Fund balances: | | | | | |
| Reserved for Register of Deeds | 190,045 | - | - | - | 190,045 |
| Reserved for Recreation Districts | 55,053 | - | - | - | 55,053 |
| Reserved for Beach Nourishment | 2,040,923 | - | - | - | 2,040,923 |
| Reserved by State statute | 5,245,544 | - | - | 494,069 | 5,739,613 |
| Reserved for Sheriff's fund | 24,161 | - | - | - | 24,161 |
| Reserved for health programs | 1,081,508 | - | - | - | 1,081,508 |
| Unreserved: | | | | | |
| Designated for subsequent year's expenditures | 825,000 | - | 22,171,139 | 706,028 | 23,702,167 |
| Undesignated - General fund | 18,814,243 | - | - | - | 18,814,243 |
| Undesignated - Special revenue funds | - | 8,432 | - | 242,748 | 251,180 |
| Undesignated - Capital projects funds | - | - | - | 1,418,615 | 1,418,615 |
| Total fund balance | 28,276,477 | 8,432 | 22,171,139 | 2,861,460 | 53,317,508 |
| Total liabilities and fund balance | \$ 32,365,672 | \$ 974,219 | \$ 22,349,936 | \$ 3,934,567 | \$ 59,624,394 |

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

| | |
|--|----------------------|
| Total fund balances for governmental funds | \$ 53,317,508 |
| Capital assets used in governmental activities are financial resources and, therefore are not reported in the funds | 26,949,524 |
| Liabilities for earned but deferred revenues not in the fund statements | 1,923,698 |
| Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are not available and therefore deferred in the fund statements | 702,427 |
| Deferred charges for 2004 COPS and 2005 General Obligation refunding Issuance cost | 485,488 |
| Internal service fund net assets | 50,816 |
| Accrued interest payable on long-term debt is not a current financial obligation and, therefore, is not in the funds | (721,605) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds | (69,098,874) |
| Net assets of governmental activities | \$ 13,608,982 |

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Funds
Year Ended June 30, 2006

| | Governmental Fund Types | | | | |
|---|-------------------------|--------------------|-------------------|-----------------------------|--------------------------------|
| | Major Funds | | | Total Non-Major Funds | Total Governmental Funds |
| | General | Occupancy | 2006 School | | |
| | | Tax Fund | Project Fund | | |
| Revenue | | | | | |
| Ad valorem taxes | \$ 34,795,355 | \$ - | \$ - | \$ 4,199,789 | \$ 38,995,144 |
| Other taxes and licenses | 14,419,161 | 4,385,694 | - | 2,229,146 | 21,034,001 |
| Permits and fees | 4,164,371 | - | - | - | 4,164,371 |
| Intergovernmental | 9,939,895 | - | - | 726,914 | 10,666,809 |
| Sales and services | 2,589,990 | - | - | - | 2,589,990 |
| Interest | 1,015,818 | 8,406 | 193,232 | 85,054 | 1,302,510 |
| Miscellaneous | 698,189 | - | - | - | 698,189 |
| Total revenue | 67,622,779 | 4,394,100 | 193,232 | 7,240,903 | 79,451,014 |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | 4,898,195 | - | - | - | 4,898,195 |
| Public safety | 7,169,204 | - | - | 6,253,120 | 13,422,324 |
| Transportation | 736,491 | - | - | - | 736,491 |
| Environmental protection | 3,404,122 | - | - | - | 3,404,122 |
| Economic and physical development | 1,789,431 | 3,243,349 | - | 552,715 | 5,585,495 |
| Human services | 14,659,109 | - | - | - | 14,659,109 |
| Culture and recreation | 2,548,009 | - | - | - | 2,548,009 |
| Education | 18,870,730 | - | - | - | 18,870,730 |
| Capital outlay | - | - | 387,219 | 3,449,732 | 3,836,951 |
| Debt service: | | | | | |
| Principal retirement | 4,175,000 | - | - | - | 4,175,000 |
| Interest and fees | 2,161,065 | - | - | - | 2,161,065 |
| Total expenditures | 60,411,356 | 3,243,349 | 387,219 | 10,255,567 | 74,297,491 |
| Revenue over (under) expenditures | 7,211,423 | 1,150,751 | (193,987) | (3,014,664) | 5,153,523 |
| Other financing sources (uses) | | | | | |
| Long-term debt issued | - | - | 22,000,000 | - | 22,000,000 |
| Bond premium | - | - | 365,126 | - | 365,126 |
| Bond premium | 1,235,798 | - | - | 3,242,119 | 4,477,917 |
| Transfers out | (3,426,059) | (1,146,599) | - | (116,199) | (4,688,857) |
| Total other financing sources (uses) | (2,190,261) | (1,146,599) | 22,365,126 | 3,125,920 | 22,154,186 |
| Net change in fund balance | 5,021,162 | 4,152 | 22,171,139 | 111,256 | 27,307,709 |
| Fund balances | | | | | |
| Beginning | 23,255,315 | 4,280 | - | 2,750,204 | 26,009,799 |
| Ending | \$ 28,276,477 | \$ 8,432 | \$ 22,171,139 | \$ 2,861,460 | \$ 53,317,508 |

See Notes to Financial Statements.

Carteret County, North Carolina

Reconciliation of the Statement of Revenue, Expenditures, and Changes in
Fund Balance to the Statement of Activities - Governmental Funds
Year Ended June 30, 2006

| | |
|---|----------------------------|
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Net changes in fund balances - total governmental funds | \$ 27,307,709 |
| 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 | 3,149,232 |
| Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds | (931) |
| Internal Service Fund is used for self-insured health insurance costs to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets | (132,455) |
| 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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and 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 | (18,190,126) |
| Some expenses including depreciation that are reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds | (2,424,461) |
| Total changes in net assets of governmental activities | <u><u>\$ 9,708,968</u></u> |

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund
Year Ended June 30, 2006

| | General Fund | | | |
|---|--------------------|-------------------|----------------------|--|
| | Original Budget | Final Budget | Actual | Variance With Final Budget - Positive (Negative) |
| Revenue | | | | |
| Ad valorem taxes | \$ 33,882,780 | \$ 33,882,780 | \$ 34,795,355 | \$ 912,575 |
| Other taxes and licenses | 13,033,500 | 13,033,500 | 14,419,161 | 1,385,661 |
| Permits and fees | 2,867,700 | 3,140,716 | 4,164,371 | 1,023,655 |
| Intergovernmental | 9,302,663 | 10,146,225 | 9,939,895 | (206,330) |
| Sales and services | 2,896,227 | 2,620,311 | 2,589,990 | (30,321) |
| Interest | 560,000 | 560,000 | 1,015,818 | 455,818 |
| Miscellaneous | 126,317 | 526,642 | 698,189 | 171,547 |
| Total revenue | 62,669,187 | 63,910,174 | 67,622,779 | 3,712,605 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 4,745,608 | 5,506,583 | 4,898,195 | 608,388 |
| Public safety | 6,974,723 | 7,408,483 | 7,169,204 | 239,279 |
| Transportation | 682,485 | 800,019 | 736,491 | 63,528 |
| Environmental protection | 3,091,605 | 3,590,702 | 3,404,122 | 186,580 |
| Economic and physical development | 1,865,236 | 1,959,015 | 1,789,431 | 169,584 |
| Human services | 15,189,202 | 16,135,127 | 14,659,109 | 1,476,018 |
| Culture and recreation | 2,920,905 | 2,704,531 | 2,548,009 | 156,522 |
| Education | 18,802,289 | 18,871,289 | 18,870,730 | 559 |
| Debt service: | | | | |
| Principal retirement | 4,320,000 | 4,185,000 | 4,175,000 | 10,000 |
| Interest and fees | 2,175,500 | 2,175,500 | 2,161,065 | 14,435 |
| Total expenditures | 60,767,553 | 63,336,249 | 60,411,356 | 2,924,893 |
| Revenue over (under) expenditures | 1,901,634 | 573,925 | 7,211,423 | 6,637,498 |
| Other financing sources (uses) | | | | |
| Transfers in | 1,016,750 | 1,589,925 | 1,235,798 | (354,127) |
| Transfers out | (2,495,390) | (3,426,059) | (3,426,059) | - |
| Contingency reserves | (1,652,994) | (1,324,334) | - | 1,324,334 |
| Appropriated fund balance | 1,230,000 | 2,586,543 | - | (2,586,543) |
| Total other financing uses | (1,901,634) | (573,925) | (2,190,261) | (1,616,336) |
| Revenue over expenditures and other sources (uses) | \$ - | \$ - | 5,021,162 | \$ 5,021,162 |
| Fund balances | | | | |
| Beginning | | | 23,255,315 | |
| Ending | | | <u>\$ 28,276,477</u> | |

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Revenue, Expenditures and Changes in Fund Balance -
Budget and Actual - Occupancy Tax Fund
Year Ended June 30, 2006

| | Occupancy Tax Fund | | | Variance With Final Budget - Positive (Negative) |
|---|--------------------|--------------------|--------------------|--|
| | Original Budget | Final Budget | Actual | |
| Revenue | | | | |
| Other taxes and licenses: | | | | |
| Occupancy taxes | \$ 3,650,000 | \$ 4,785,000 | \$ 4,364,550 | \$ (420,450) |
| Occupancy taxes, penalties and interest | 5,000 | 5,000 | 21,144 | 16,144 |
| Interest | 2,000 | 2,000 | 8,406 | 6,406 |
| Total revenue | 3,657,000 | 4,792,000 | 4,394,100 | (397,900) |
| Expenditures | | | | |
| Economic and physical development: | | | | |
| Tourism: | | | | |
| Tourism Development Authority | 1,805,250 | 2,367,075 | 2,270,349 | 96,726 |
| Atlantic Beach | 100,000 | 100,000 | 100,000 | - |
| Pine Knoll Shores | 225,000 | 225,000 | 225,000 | - |
| Indian Beach | 108,000 | 108,000 | 108,000 | - |
| Emerald Isle | 540,000 | 540,000 | 540,000 | - |
| Total expenditures | 2,778,250 | 3,340,075 | 3,243,349 | 96,726 |
| Revenue over (under) expenditures | 878,750 | 1,451,925 | 1,150,751 | (301,174) |
| Other financing uses | | | | |
| Transfers out | (878,750) | (1,451,925) | (1,146,599) | 305,326 |
| Total other financing uses | (878,750) | (1,451,925) | (1,146,599) | 305,326 |
| Revenue over expenditures and other uses | \$ - | \$ - | 4,152 | \$ 4,152 |
| Fund balances | | | | |
| Beginning | | | 4,280 | |
| Ending | | | <u>\$ 8,432</u> | |

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Fund Net Assets - Proprietary Funds
June 30, 2006

| | Water Fund | Internal Service Fund |
|--|---------------------|--------------------------|
| Assets | | |
| Current Assets | | |
| Cash | \$ 284,553 | \$ 164,682 |
| Receivables, net | 54,630 | 391,722 |
| Due from other fund | - | 51,404 |
| Total current assets | 339,183 | 607,808 |
| Noncurrent Assets | | |
| Capital assets: | | |
| Land, improvements, and construction in progress | 52,500 | - |
| Other capital assets, net of depreciation | 6,907,015 | - |
| Total capital assets | 6,959,515 | - |
| Total noncurrent assets | 6,959,515 | - |
| Total assets | 7,298,698 | 607,808 |
| Liabilities | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | 25,662 | 556,992 |
| Customer deposits | 47,950 | - |
| Accrued interest payable | 67,108 | - |
| Current portion of long-term liabilities | 177,931 | - |
| Total current liabilities | 318,651 | 556,992 |
| Long-Term Liabilities | | |
| Installment loan payable | 3,156,512 | - |
| Total long-term liabilities | 3,156,512 | - |
| Total liabilities | 3,475,163 | 556,992 |
| Net Assets | | |
| Invested in capital assets, net of related debt | 3,630,795 | - |
| Unrestricted | 192,740 | 50,816 |
| Total net assets | \$ 3,823,535 | \$ 50,816 |

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Revenue, Expenses and Changes in Fund Net Assets - Proprietary Funds
 Year Ended June 30, 2006

| | Water Fund | Internal Service Fund |
|-------------------------------------|---------------------|--------------------------|
| Operating revenues | | |
| Charges for services | \$ 361,888 | \$ 2,326,313 |
| Intergovernmental, sales tax refund | 56,084 | - |
| Total operating revenues | 417,972 | 2,326,313 |
| Operating expenses | | |
| Water plant operations | 308,340 | - |
| Depreciation | 204,628 | - |
| Health insurance claims | - | 2,458,768 |
| Total operating expenses | 512,968 | 2,458,768 |
| Operating loss | (94,996) | (132,455) |
| Nonoperating revenues (expenses) | | |
| Interest revenue | 8,924 | - |
| Interest expense | (94,515) | - |
| Total nonoperating expenses | (85,591) | - |
| Loss before transfers | (180,587) | (132,455) |
| Transfers | | |
| Transfers in | 210,940 | - |
| Change in net assets | 30,353 | (132,455) |
| Total net assets | | |
| Beginning | 3,793,182 | 183,271 |
| Ending | \$ 3,823,535 | \$ 50,816 |

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2006

| | Water Fund | Internal Service Fund |
|--|-------------------|--------------------------|
| Cash Flows From Operating Activities | | |
| Cash received from customers | \$ 346,874 | \$ 1,930,226 |
| Cash received from state reimbursements | 56,084 | - |
| Cash paid for goods and services | (243,532) | (2,364,654) |
| Cash paid to employees for services | (156,447) | - |
| Customer deposits received | 25,570 | - |
| Net cash provided by (used in) operating activities | 28,549 | (434,428) |
| Cash Flows Provided By Noncapital Financing | | |
| Transfers in | 210,940 | - |
| Cash Flows From Capital and Related Financing Activities | | |
| Capital contributions | - | - |
| Proceeds from installment loans | 378,273 | - |
| Principal paid on installment debt and capital lease | (37,425) | - |
| Interest paid on installment debt and capital lease | (94,515) | - |
| Acquisition and construction of capital assets | (272,357) | - |
| Net cash used in capital and related financing activities | (26,024) | - |
| Cash Flows Provided By Investing Activities | | |
| Interest on investments | 8,922 | - |
| Net increase (decrease) in cash and cash equivalents | 222,387 | (434,428) |
| Cash and cash equivalents: | | |
| Beginning | 62,166 | 599,110 |
| Ending | \$ 284,553 | \$ 164,682 |

(Continued)

Carteret County, North Carolina

Statement of Cash Flows - Proprietary Funds (Continued)
 Year Ended June 30, 2006

| | Water Fund | Internal Service Fund |
|---|------------------|--------------------------|
| Reconciliation of Operating Loss to Net Cash | | |
| Provided By (Used In) Operating Activities | | |
| Operating loss | \$ (94,996) | \$ (132,455) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | |
| Depreciation | 204,628 | - |
| Changes in assets and liabilities: | | |
| Increase in accounts receivable | (15,014) | (396,087) |
| Increase (decrease) in accounts payable and accrued liabilities | (91,639) | 94,114 |
| Increase in customer deposits | 25,570 | - |
| Net cash provided by (used in) operating activities | \$ 28,549 | \$ (434,428) |
| Supplemental Schedule of Noncash Investing, Capital and Financing Activities | | |
| Acquisition of capital asset under capital lease | \$ - | \$ - |
| Accounts payable used for capital assets | \$ 175,417 | \$ - |

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Fiduciary Net Assets - Fiduciary Funds
June 30, 2006

| | Agency Funds |
|--|------------------|
| <hr/> | |
| Assets | |
| Cash and cash equivalents | <u>\$ 50,123</u> |
| Liabilities | |
| Accounts payable and accrued liabilities | <u>\$ 50,123</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.

Notes to 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, 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 Industrial Facility and Pollution Control Financing Authority: Carteret County Industrial Facility and Pollution Control Financing 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; therefore, it is not presented in the combined financial statements. The Authority does not issue separate financial statements.

Beaufort - Morehead City Airport Authority: The Beaufort - Morehead City Airport Authority 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 Authority board members. The Authority also receives a majority of its revenue from County sources. The airport has a June 30 year-end.

Carteret County Tourism Development Authority: The Carteret County Tourism Development Authority ("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 County does not have authority to designate management of the Authority nor remove board members of the Authority. However, the Authority must submit its annual budget and subsequent budget amendments to the Board of County Commissioners for approval and receives substantially all its revenue from an occupancy tax implemented, and revocable, by the County Commissioners. The TDA 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, North Carolina

Notes to Financial Statements

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

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

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

- Beaufort-Morehead City Airport Authority, Highway 101 East, Beaufort, NC 28516
- Carteret County Tourism Development Authority, Highway 70 West, Morehead City, NC 28557
- Carteret County General Hospital Corporation, PO Box 1619, Morehead City, NC 28557
- Carteret County ABC Board, Highway 70 East, Beaufort, NC 28516

The following corporation is included as a blended component:

County of Carteret Public Facilities Financing Corporation: The County of Carteret Public Facilities Financing 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 at June 30, 2006.

Summary of significant accounting policies

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

Basis of presentation

Government-wide statements: The statement of net assets and the statement of activities display information about the primary government (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. 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.

Notes to Financial Statements

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

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.

Fund financial statements: The fund financial statements provide information about the County's funds. 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 nonmajor 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. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The County reports the following major governmental funds:

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

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

2006 School Bond Project Fund: This fund is used to account for financial resources to be used for various construction projects which include building expansions and extensive renovations to our public schools.

The County reports the following major enterprise fund:

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

The County also reports an Internal Service Fund: This fund is used to account for the County's self-insured health insurance plan.

Notes to Financial Statements

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

The County reports the following fiduciary fund:

Agency Fund: 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 within the Department of Social Services for the benefit of various clients, and 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 Motor Vehicle Agency Fund accounts for the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles.

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, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds, which 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. Nonexchange 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 an 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 nonoperating 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 funds 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 system. Operating expenses for enterprise funds 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 nonoperating revenues and expenses.

Notes to Financial Statements

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

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 nonexchange 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. Nonexchange transactions occur when one government provides (or receives) value to (or 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 nonexchange transactions.

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 are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Carteret County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities in the County. For those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2005 through February 2006 apply to the fiscal year ended June 30, 2006. Uncollected taxes, which were billed during this period, are shown as a receivable on these financial statements. In addition, as of January 1, 2006, State law implemented a staggered expiration date system for annually registered vehicles as part of the conversion into the staggered registration. Originally, annual registration expired December 31st each year with taxes due by May 1st of the following year. To transition from the staggered into the annual registration, the initial 2006 registration renewals will vary from 7 to 18 months after December 31, 2005. Once these initial renewals have expired, all vehicles that were previously annually registered will be in the staggered system.

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. Intergovernmental revenues, and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Notes to Financial Statements

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

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 assets 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.

All governmental and business-type activities and enterprise funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

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 occupancy tax fund, the special revenue funds (excluding 2004 CDBG Scattered Site and CDBG 2001 Laurel Road Fund), the capital projects funds (excluding the 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.

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 object level for the capital projects funds. All budgets are fixed in nature. The County Manager is authorized to approve transfers between departments not to exceed \$20,000. Transfers between departments that exceed \$20,000 or any transfers between funds require Board approval. For internal management purposes, the budgets are detailed by line item within each department and entered into the accounting records. Comparisons of actual expenditures to budget are made on an ongoing basis.

Notes to Financial Statements

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

Deposits and investments: All deposits of the County, Carteret General Hospital Corporation ("Hospital"), Carteret County ABC Board ("ABC Board"), Carteret County Tourism Development Authority ("TDA"), and Beaufort-Morehead City Airport Authority ("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 statute [G.S. 159-30(c)] authorizes the County and its component units to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust ("NCCMT"), an SEC registered 2a-7 mutual fund.

The County's money market investments with a maturity of more than one year at acquisition and nonmoney-market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less and nonparticipating interest earnings and investment contracts are reported at amortized cost.

Cash and cash equivalents: The County pools money from several funds except the Pension Trust Fund, to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. Investment earnings are allocated to all funds based on the cash balance outstanding at the end of each month. 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 investments because their use is limited by applicable debt instruments.

Ad valorem taxes receivable: Ad valorem taxes 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 taxes receivable that was not recognized as revenue is shown as a deferred revenue.

Notes to Financial Statements

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

The property tax calendar for Carteret County, North Carolina according to North Carolina general statutes 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, 2005 assessed values.

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

Inventories and prepaid items: The inventories of the Hospital and the ABC Board are valued at the lower of cost, on a first-in, first-out ("FIFO") basis, or market. The Hospital inventory consists of expendable items, including pharmaceuticals and general supplies, held for 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. The Airport Authority utilizes 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 are recorded at their estimated fair value at the date of donation. The County has no significant, other than the water system, amount of public domain or infrastructure fixed 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. Also, the County has elected not to capitalize interest costs as a component of the cost of capital assets constructed for its use in governmental activities.

The County holds title to certain Carteret County 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 Carteret County Board of Education. Revenues and expenditures related to these construction projects are reflected in governmental funds financial statements of Carteret County during the duration of 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 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. 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 Airport Authority does not own any real property but utilizes facilities provided by the County. All Airport real property assets owned by the County are included in the government-wide financial statements as assets of the County. 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:

| | <u>Useful Lives</u> |
|----------------------------------|---------------------|
| Buildings and improvements | 10 - 40 years |
| Furniture and equipment | 4 - 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:

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|-------------------------|-------------------------------|
| Buildings | 40 |
| Improvements | 20 |
| Furniture and equipment | 7 |
| Vehicles | 5 |
| Computer equipment | 3 |

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; and vehicles 7 years.

Amortization of bond issuance costs: Bond issuance costs incurred are deferred and amortized over the life of the related bond issue using the straight-line method.

In the fund financial statements, governmental fund types recognize bond issuance costs during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Notes to Financial Statements

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

Compensated absences: The vacation policies of the County, the Hospital, 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 funds, the Airport, TDA, 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 LIFO basis, assuming that employees are taking time as it is earned.

The sick leave policies of the County, the Airport, TDA, 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 Governmental Accounting Standards Board 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 assets.

In the governmental fund financial statements, the face amount of debt issued is reported as another financing source and is not considered fund liabilities.

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

Bond discounts and premiums: In the government-wide and proprietary fund financial statements, bond discounts and premiums are deferred and amortized over the life of the bonds using the proportionate-to-stated-interest method. Long-term debt is reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognized bond premiums and discounts during the current period. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Net assets/fund balances

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

Notes to Financial Statements

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

Fund balances: Fund balances are recognized in the governmental funds financial statements. Reservations or restrictions of fund balances represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts the appropriation of fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental funds classify fund balances as follows:

Reserved

- Reserved for Register of Deeds — portion of fund balance constituting the Automation Enhancement and Preservation Fund, funded by 10% of the fees collected and maintained by the register of deeds office. The funds are available for appropriation but are legally restricted for computer and imaging technology in the register of deeds office.
- Reserved for Recreation Districts — represents amounts restricted for specific recreation purposes.
- Reserved for Beach Nourishment — represents amount reserved for beach nourishment.
- Reserved by State statute — portion of fund balance not available for appropriation after remaining reserves not available for appropriation have been segregated [G.S. 159-8(a)]. This generally includes accounts receivable and amounts due from other funds, which are not offset by deferred revenues.
- Reserved for Sheriff's fund — represents amounts restricted for expenditures relating to special drug programs and concealed weapons programs.
- Reserved for health programs — represents amounts restricted to expenditures in specific health programs.

Unreserved

- Designated for subsequent year's expenditures — portion of total fund balance available for appropriation that has been designated for the adopted 2006-2007 budget ordinance.
- Undesignated — portion of total fund balance available for appropriation, which is uncommitted at June 30, 2006.

Notes to Financial Statements

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

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 assets.

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$39,708,526 consists of several elements as follows:

| Description | Amount |
|---|-------------------------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | \$ 45,939,982 |
| Less accumulated depreciation | 18,990,458 |
| Net capital assets | <u>26,949,524</u> |
| Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are not available and therefore deferred in the fund statements | 702,427 |
| Deferred charges for COPS Issuance costs and General Obligation Issuance costs | 485,488 |
| Liabilities for revenue deferred but earned therefore recorded in the fund statements but not in the government-wide statements | 1,923,698 |
| Internal service fund is used for self-insured health insurance costs to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets | 50,816 |
| Accrued interest is not due and payable in the current period and therefore is not reported in the funds | (721,605) |
| 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, leases and installment financing | (68,120,000) |
| Premiums on refundings | (1,391,846) |
| Deferred charges | 1,267,370 |
| Discount on refundings | 69,876 |
| Compensated absences | (748,822) |
| Accrued net pension obligation | (175,452) |
| Total adjustment | <u><u>\$ (39,708,526)</u></u> |

Notes to Financial Statements

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of (\$17,598,741) as follows:

| <u>Description</u> | <u>Amount</u> |
|---|--------------------------------------|
| Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities | \$ 3,149,232 |
| 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 | (2,132,193) |
| General Obligation Debt issued (including Bond Premium) | (22,365,126) |
| Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements. | |
| Amounts also include bond issuance costs and unamortized charge | 4,175,000 |
| Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources | (66,279) |
| Long-term net pension obligations are accrued in the government-wide statements but not in the fund statements because they do not use current resources | (32,346) |
| Increase in interest payable on long-term debt at June 30, 2006 | (121,889) |
| Internal service fund is used for self-insured health insurance costs to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets | (132,455) |
| Sale of Capital Assets | 45,100 |
| Costs on disposal of capital assets | (11,722) |
| Amortization expense | (105,132) |
| Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements: | |
| Reversal of deferred tax revenue recorded at July 1, 2005 | (1,950,551) |
| Recording of tax receipts deferred in the fund statements as of June 30, 2006 | 1,923,698 |
| Increase in accrued interest on taxes receivable for year ended June 30, 2006 | 25,922 |
| Total adjustment | <u><u>\$ (17,598,741)</u></u> |

Carteret County, North Carolina

Notes to Financial Statements

Note 2. Stewardship, Compliance and Accountability

Expenditures in excess of appropriations in:

General Fund:

| | |
|---------------|-----------------|
| Mental health | <u>\$ 9,167</u> |
|---------------|-----------------|

Special Revenue Funds:

| | |
|--------------|---------------|
| Rescue Squad | <u>\$ 769</u> |
|--------------|---------------|

Note 3. Cash and Investments

Cash on hand:

The County had \$1,510 in petty cash on hand at June 30, 2006.

Component unit information:

Carteret County General Hospital had \$5,434 in cash on hand at September 30, 2006. The ABC Board had \$6,650 at June 30, 2006.

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.

Carteret County, North Carolina

Notes to Financial Statements

Note 3. Cash and Investments (Continued)

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 minimum capitalization for each depository that collateralizes public deposits under the Pooling Method. The units do not have formal policies regarding custodial credit risk for deposits and rely on the State Treasurer to monitor those financial institutions.

At June 30, 2006, the County's deposits had a carrying amount of \$3,498,952 and a bank balance of \$3,723,872. Of the bank balance, \$500,000 was covered by federal depository insurance and \$3,223,872 was covered by collateral held under the Pooling Method. Restricted cash in the amount of \$1,529,473 was being held in noninterest-bearing deposits for banking services.

Component unit information:

At June 30, 2006, the carrying amount of deposits for Tourism and Development Authority was \$65,842 and the bank balance was \$315,493. Of the bank balance of the Authority, \$100,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

At June 30, 2006, the carrying amount of deposits for Beaufort-Morehead City Airport Authority was \$119,991 and the bank balance was \$145,586. Of the bank balance, \$100,000 was covered by federal depository insurance, and \$45,586 was in accounts covered by collateral held under the pooling method.

At September 30, 2005, the carrying amount of the Hospital's deposits was \$35,536,953 and the bank balance was \$36,609,053. Of the bank balance, \$400,000 was covered by federal depository insurance and the remainder is collateralized by the dedicated method or under the pooling method.

At June 30, 2006, the carrying amount of deposits for Carteret County ABC Board was \$765,789 and the bank balance was \$818,302. All of the bank balance was covered by federal depository insurance.

Investments:

At June 30, 2006, the County had the following investments and maturities.

| Investment Type | Fair Value | Less Than | | | |
|---|----------------------|---------------------|---------------------|---------------------|------------------|
| | | 6 Months | 6-12 Months | 1-3 Years | 5-7 Years |
| US Government Agencies | \$ 10,523,662 | \$ 2,550,117 | \$ 1,486,178 | \$ 6,391,571 | \$ 95,796 |
| Commercial Paper | 987,610 | 987,610 | - | - | - |
| Money Market | 3,086,819 | - | 3,086,819 | - | - |
| NC Capital Management Trust Cash Portfolio | 33,219,995 | N/A | N/A | N/A | N/A |
| NC Capital Management Trust Term Portfolio | 340,985 | 340,985 | - | - | - |
| Total | \$ 48,159,071 | \$ 3,878,712 | \$ 4,572,997 | \$ 6,391,571 | \$ 95,796 |

Notes to Financial Statements

Note 3. Cash and Investments (Continued)

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

Credit Risk. The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the County had no formal policy on managing credit risk. As of June 30, 2006, 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 Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2006. 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 Agencies (Federal Home Loan 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 each of the following: Federal Home Loan Bank securities \$3,936,570 (9%), Federal National Mortgage Association \$3,969,177 (9%). The County has no formal policy on concentration of credit risk.

At June 30, 2006, the County had restricted investments of \$22,405,014. In the Capital Projects Funds there are restricted investments of \$61 for the construction of the Newport Middle School, \$49,168 for the construction of additions to Carteret Community College, \$399 for the construction of the Western Library and Beaufort Elementary School and \$22,355,386 for the expansions and renovations to our public schools as outlined in the 2006 School GO Bond.

Component unit information

At June 30, 2006, the TDA had investments in the North Carolina Capital Management Trust which are exempt from risk categorization because the Authority does not own any identifiable security but is a shareholder of a percentage of the fund.

| | Reported Value | Fair Value |
|---|-------------------|------------|
| North Carolina Capital Management Trust | \$ 606,559 | \$ 606,559 |

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, 2006:

| | Governmental Activities | Business-Type Activity, Water | Total |
|-----------------------------------|----------------------------|----------------------------------|---------------------|
| Receivables: | | | |
| Interest | \$ 702,427 | \$ - | \$ 702,427 |
| Taxes | 2,397,972 | - | 2,397,972 |
| Accounts | 800,907 | 54,630 | 855,537 |
| Intergovernmental | 4,315,949 | - | 4,315,949 |
| Other | 1,751,155 | - | 1,751,155 |
| Gross receivables | 9,968,410 | 54,630 | 10,023,040 |
| Less allowance for uncollectibles | (708,301) | - | (708,301) |
| Net total receivables | \$ 9,260,109 | \$ 54,630 | \$ 9,314,739 |

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 |
|--------------|-------------------|-------------------|-------------------|
| 2002 | \$ 207,882 | \$ 68,081 | \$ 275,963 |
| 2003 | 206,050 | 48,937 | 254,987 |
| 2004 | 207,479 | 30,603 | 238,082 |
| 2005 | 216,134 | 12,428 | 228,562 |
| Total | \$ 837,545 | \$ 160,049 | \$ 997,594 |

Component unit information

The Carteret County General Hospital Corporation receivables are net of an allowance for doubtful accounts in the amount of \$6,099,000. Approximately 56% of the Hospital's revenue is from the Medicare and Medicaid programs.

At June 30, 2006, Beaufort-Morehead City Airport Authority accounts receivable consisted of grants funds receivable of \$18,173, and amounts due from the FBO of \$4,290. There is no allowance for uncollectible accounts.

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:

| | Capital Assets July 1, 2005 | Additions | Retirements | Adjustments and Transfers | Capital Assets June 30, 2006 |
|---|-----------------------------------|------------------|------------------|---------------------------------|------------------------------------|
| Governmental activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land, airport | \$ 169,549 | \$ - | \$ - | \$ - | \$ 169,549 |
| Land, other | 3,567,330 | 148,774 | (7,380) | - | 3,708,724 |
| Construction in progress | 266,565 | 281,170 | - | (266,565) | 281,170 |
| Total capital assets not being depreciated | 4,003,444 | 429,944 | (7,380) | (266,565) | 4,159,443 |
| Capital assets, being depreciated: | | | | | |
| Buildings | 27,229,668 | - | - | - | 27,229,668 |
| Vehicles | 3,129,963 | 548,335 | (97,427) | - | 3,580,871 |
| Equipment | 3,284,113 | 821,665 | (305,063) | - | 3,800,715 |
| Airport facilities | 1,524,747 | - | - | - | 1,524,747 |
| Other improvements | 4,028,685 | 1,349,288 | - | 266,565 | 5,644,538 |
| Total capital assets being depreciated | 39,197,176 | 2,719,288 | (402,490) | 266,565 | 41,780,539 |
| Less accumulated depreciation for: | | | | | |
| Buildings | 9,401,947 | 1,198,725 | - | - | 10,600,672 |
| Vehicles | 2,204,608 | 321,881 | (61,242) | - | 2,465,247 |
| Equipment | 2,646,126 | 308,526 | (305,063) | - | 2,649,589 |
| Airport facilities | 1,175,934 | 74,850 | - | - | 1,250,784 |
| Other improvements | 1,795,955 | 228,211 | - | - | 2,024,166 |
| Total accumulated depreciation | 17,224,570 | 2,132,193 | (366,305) | - | 18,990,458 |
| Total capital assets, being depreciated, net | 21,972,606 | | | | 22,790,081 |
| Governmental activity capital assets, net | \$ 25,976,050 | | | | \$ 26,949,524 |

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

| | |
|---|---------------------|
| Governmental activities: | |
| General government | \$ 715,213 |
| Public Safety | 607,827 |
| Transportation | 136,192 |
| Human Services | 325,928 |
| Culture & Recreation | 324,151 |
| Environmental Protection | 22,882 |
| Total depreciation expense - governmental activities | \$ 2,132,193 |

Carteret County, North Carolina

Notes to Financial Statements

Note 5. Capital Assets (Continued)

| | Capital Assets July 1, 2005 | Additions | Retirements | Adjustments and Transfers | Capital Assets June 30, 2006 |
|---|-----------------------------------|----------------|--------------------|---------------------------------|------------------------------------|
| Business-type activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 52,500 | \$ - | \$ - | \$ - | \$ 52,500 |
| Construction in progress | 2,647,736 | - | (2,647,736) | - | - |
| Total capital assets, not being depreciated | 2,700,236 | - | (2,647,736) | - | 52,500 |
| Capital assets, being depreciated: | | | | | |
| Buildings | 2,119,264 | - | - | - | 2,119,264 |
| Infrastructure | 3,038,424 | 258,940 | - | 2,647,736 | 5,945,100 |
| Vehicles | 18,546 | 13,417 | - | - | 31,963 |
| Equipment | 25,600 | - | - | - | 25,600 |
| Total capital assets being depreciated | 5,201,834 | 272,357 | - | 2,647,736 | 8,121,927 |
| Less accumulated depreciation for: | | | | | |
| Buildings | 117,737 | 70,642 | - | - | 188,379 |
| Infrastructure | 867,969 | 119,771 | - | - | 987,740 |
| Vehicles | 6,800 | 6,393 | - | - | 13,193 |
| Equipment | 17,777 | 7,823 | - | - | 25,600 |
| Total accumulated depreciation | 1,010,283 | 204,629 | - | - | 1,214,912 |
| Total capital assets being depreciated, net | 4,191,551 | | | | 6,907,015 |
| Business-type activities capital assets, net | \$ 6,891,787 | | | | \$ 6,959,515 |

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

Construction commitments

The County has active construction projects as of June 30, 2006. The projects include the Jail and Old Health Department Renovations. At year-end, the County's commitments with contractors are as follows:

| Project | Spent-To-Date | Remaining Commitment |
|--------------------------------------|---------------|-------------------------|
| Jail & Old Health Department Project | \$ 281,170 | \$ 82,480 |

Carteret County, North Carolina

Notes to Financial Statements

Note 5. Capital Assets (Continued)

Component unit information

The following is a summary of the Carteret County General Hospital Corporation's capital assets at September 30, 2005:

| | Balance September 30, 2005 | Additions | Retirements | Balance September 30, 2006 |
|---|-------------------------------|-------------------|-------------------|-------------------------------|
| Capital assets: | | | | |
| Nondepreciable capital assets: | | | | |
| Construction in progress | \$ 998,975 | \$ 6,310,492 | \$ 5,722,151 | \$ 1,587,316 |
| Land | 2,031,230 | 142,132 | - | 2,173,362 |
| | <u>3,030,205</u> | <u>6,452,624</u> | <u>5,722,151</u> | <u>3,760,678</u> |
| Depreciable capital assets: | | | | |
| Land improvements | 1,156,423 | 79,623 | 167,298 | 1,068,748 |
| Buildings and improvements | 25,552,138 | 2,693,444 | 3,078,483 | 25,167,099 |
| Equipment | 38,488,081 | 4,008,330 | 11,273,877 | 31,222,534 |
| | <u>65,196,642</u> | <u>6,781,397</u> | <u>14,519,658</u> | <u>57,458,381</u> |
| Total capital assets at historical costs | <u>68,226,847</u> | <u>13,234,021</u> | <u>20,241,809</u> | <u>61,219,059</u> |
| Less accumulated depreciation: | | | | |
| Land improvements | 698,380 | 50,879 | 167,298 | 581,961 |
| Buildings and improvements | 9,329,826 | 845,275 | 3,078,483 | 7,096,618 |
| Equipment | 23,233,419 | 3,781,910 | 11,263,405 | 15,751,924 |
| Total accumulated depreciation | <u>33,261,625</u> | <u>4,678,064</u> | <u>14,509,186</u> | <u>23,430,503</u> |
| Capital assets, net | <u>\$ 34,965,222</u> | | | <u>\$ 37,788,556</u> |

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, 2006:

| | |
|-------------------------------|---------------------|
| Land | \$ 508,191 |
| Buildings | 1,150,986 |
| Furniture and equipment | 850,838 |
| Leasehold improvements | 144,927 |
| Building improvements | <u>158,316</u> |
| | 2,813,258 |
| Less accumulated depreciation | <u>1,032,637</u> |
| | <u>\$ 1,780,621</u> |

Carteret County, North Carolina

Notes to Financial Statements

Note 5. Capital Assets (Continued)

The following is a summary of the Beaufort – Morehead City Airport Authority's capital assets at June 30, 2006:

| | |
|-------------------------------|----------------------------|
| Construction in progress | \$ 295,962 |
| Equipment | 82,010 |
| Hangers | 140,000 |
| Other improvements | 907,518 |
| | <u>1,425,490</u> |
| Less accumulated depreciation | 155,033 |
| | <u><u>\$ 1,270,457</u></u> |

The following is a summary of the Carteret County Tourism and Development Authority's capital assets at June 30, 2006:

| | |
|----------------------------------|--------------------------|
| Buildings | \$ 67,069 |
| Other improvements | 56,757 |
| Equipment | 91,148 |
| Vehicles and motorized equipment | 20,286 |
| | <u>235,260</u> |
| Less accumulated depreciation | 75,643 |
| | <u><u>\$ 159,617</u></u> |

Note 6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at the government-wide level at June 30, 2006, were as follows:

| | Vendors | Salaries and Benefits | Other | Total |
|---------------------------------------|---------------------|--------------------------|-------------------|---------------------|
| Governmental activities: | | | | |
| General | \$ 1,604,320 | \$ 483,327 | \$ 252,473 | \$ 2,340,120 |
| Occupancy Tax Fund | 965,787 | - | - | 965,787 |
| 2006 School Project Fund | 178,798 | - | - | 178,798 |
| Other governmental | 650,575 | - | 171,874 | 822,449 |
| Internal Service Fund | - | - | 556,992 | 556,992 |
| Total governmental activities | <u>\$ 3,399,480</u> | <u>\$ 483,327</u> | <u>\$ 981,339</u> | <u>\$ 4,864,146</u> |
| Business-type activities: | | | | |
| Water | \$ 20,529 | \$ 5,133 | - | \$ 25,662 |
| Total business-type activities | <u>\$ 20,529</u> | <u>\$ 5,133</u> | <u>\$ -</u> | <u>\$ 25,662</u> |

Notes to Financial Statements

Note 7. Deferred/Unearned Revenues

The balance in deferred revenue on the fund statements and unearned revenues on the government-wide statements at year-end is composed of the following elements:

| | Deferred Revenue | Unearned Revenue |
|---|---------------------|---------------------|
| Prepaid taxes not yet earned (General) | \$ - | \$ 24,630 |
| Taxes receivable, net (General) | 1,439,014 | - |
| Taxes receivable, net (Special Revenue) | 250,657 | - |
| Solid waste fees (General) | 234,027 | - |
| Total | \$ 1,923,698 | \$ 24,630 |

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 carries commercial insurance for liability, casualty risks, property, casualty, and workers' compensation coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The County does not carry flood insurance since they are above the AE zone.

The County established a risk management program to account for and finance its uninsured risks of loss for health insurance. Under this program, the risk management program provides coverage up to a maximum of \$75,000 for each individual claim. The County purchases commercial insurance for individual claims in excess of \$75,000 and aggregate claims in excess of 125% of the projected claims per year, which is determined annually at the beginning of the plan year.

The County participates in the program and makes payment to the risk management program based on actuarial estimates of the amounts needed to pay prior- and current year claims and to establish a reserve for catastrophic losses. Amounts withheld from employees and the County's general funds are available to pay claims, claim reserves and administrative costs for the program.

The claims liability of \$556,992 reported in the Internal Service Fund at June 30, 2006 is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated.

Changes in the reported liability since July 1, 2005 were as follows:

| | 2006 | 2005 |
|--|-------------------|-------------------|
| Beginning of fiscal year liability | \$ 462,878 | \$ 159,000 |
| Current year claims and changes in estimates | 2,552,881 | 2,359,111 |
| Claim payments | 2,458,767 | 2,055,233 |
| Unpaid claims at June 30 | \$ 556,992 | \$ 462,878 |

Notes to Financial Statements

Note 8. Risk Management (Continued)

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 blanket bond ranging from \$10,000 to \$50,000.

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.

Carteret General 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 for specified aggregate amounts in excess of the basic coverage.

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

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

The Airport Authority 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.

Note 9. Long-Term Obligations

Capital lease

On September 25, 2003 the County entered into an agreement to lease a vehicle that is to be used for business-type activities. The lease agreement qualifies as a capital lease for accounting purposes; therefore, it has been recorded at the present value of the future minimum lease payments as of the date of inception. The lease requires 37 monthly payments of \$551, which includes interest at a rate of 4.65%.

At June 30, 2006, the County's leased vehicle is valued at a cost of \$18,546 with accumulated depreciation of \$10,509; therefore the net book value is \$8,037.

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2006 are as follows:

| Year Ending June 30, | Amount |
|--|-----------------|
| 2007 | \$ 1,183 |
| Total minimum lease payments | 1,183 |
| Less amount representing interest | 7 |
| Present value of the minimum lease payments | \$ 1,176 |

Component unit, lease commitments

Carteret County General Hospital has several capital lease obligations for certain medical equipment at September 30, 2005. The leases expire at various dates through July 2010 and have a present value of minimum lease payments of \$3,702,012. Also, the Hospital leases various facilities and equipment under operating leases expiring at various dates through October 2005. Total rental expense in 2005 for all operating leases was \$742,775.

Minimum annual lease payments for years subsequent to September 30, 2005 are as follows:

| Year Ending September 30, | Capital Leases | Operating Leases |
|--|---------------------|---------------------|
| 2006 | \$ 1,255,299 | \$ 50,670 |
| 2007 | 1,092,477 | - |
| 2008 | 864,864 | - |
| 2009 | 733,562 | - |
| 2010 | 127,827 | - |
| Total minimum lease payments | 4,074,029 | \$ 50,670 |
| Less amount representing interest 3.58% - 4.92% | 372,017 | |
| Present value of net minimum lease obligations | 3,702,012 | |
| Less current maturities | 1,090,143 | |
| Obligations under capital leases, less current maturities | \$ 2,611,869 | |

Assets under capital leases had a cost basis of \$6,984,966 at September 30, 2005 and accumulated depreciation on these assets was \$1,874,668 at September 30, 2005.

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

General obligation bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of capital facilities for general government activities. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the County and are serviced by the General Fund. Principal and interest requirements are provided by appropriation in the year in which they become due. The County general obligation bonds payable at June 30, 2006 are comprised of the following individual issues:

| | |
|---|----------------------|
| 2002 Carteret Community College additions due on August 1 and February 1 in varying installments through February 1, 2020; interest at varying rates ranging from 3% to 4.75% | \$ 7,000,000 |
| 2004 Refunding of 1995 and 1996 general obligation bonds due on November 1 and May 1 in varying installments through May 1, 2017; interest at varying rates ranging from 3% to 5% | 18,605,000 |
| 2006 School bond, due on October 1 and April 1 in varying installments through April 1, 2026; interest at varying rates ranging from 4% to 5% | 22,000,000 |
| | <u>\$ 47,605,000</u> |

Annual debt service requirements to maturity for general obligation bonds as of June 30, 2006, are as follows:

| Year Ending June 30, | Principal | Interest |
|-------------------------|----------------------|----------------------|
| 2007 | \$ 2,685,000 | \$ 1,990,510 |
| 2008 | 2,970,000 | 1,922,710 |
| 2009 | 2,930,000 | 1,825,110 |
| 2010 | 2,890,000 | 1,728,710 |
| 2011 | 2,885,000 | 1,594,710 |
| 2012-2016 | 16,035,000 | 5,970,775 |
| 2017-2021 | 10,560,000 | 2,666,448 |
| 2022-2026 | 6,650,000 | 859,000 |
| | <u>\$ 47,605,000</u> | <u>\$ 18,557,973</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. These obligations are serviced by the General Fund.

| | |
|--|-----------------------------|
| 2002 certificates of participation due on December 1 and June 1 in varying installments through June 1, 2022, interest at varying rates collateralized by the Western Library and the Beaufort Elementary School | \$ 8,565,000 |
| 2000 certificates of participation due on June 1 in varying installments through June 1, 2020, interest at 5.52% collateralized by the Newport Middle School | <u>10,150,000</u> |
| | <u><u>\$ 18,715,000</u></u> |

Annual debt service requirements to maturity for certificates of participation as of June 30, 2006, are as follows:

| Year Ending June 30, | Principal | Interest |
|-------------------------|----------------------|---------------------|
| 2007 | \$ 1,800,000 | \$ 879,865 |
| 2008 | 1,310,000 | 811,365 |
| 2009 | 1,310,000 | 756,834 |
| 2010 | 1,310,000 | 700,115 |
| 2011 | 1,305,000 | 642,665 |
| 2012-2016 | 6,115,000 | 2,324,433 |
| 2017-2021 | 5,125,000 | 1,419,761 |
| 2022-2024 | 440,000 | 20,900 |
| | <u>\$ 18,715,000</u> | <u>\$ 7,555,938</u> |

The County has entered into various installment-financing agreements for equipment and capital improvements.

Governmental activities (serviced by the General Fund):

| | |
|---|----------------------------|
| Renovations of building purchased for health center for 10 consecutive annual installments, beginning in fiscal year 2002-2004, including interest at 4.510% | \$ 1,800,000 |
| Business-type activities (serviced by the Water Fund): | |
| Construction of water treatment and distribution facilities for 19 consecutive annual installments, beginning in fiscal year 2004-2005, including interest at 5.75% | 527,544 |
| Construction of Phase II Waterline extensions for 20 consecutive annual installments, beginning in fiscal year 2005-2006, including interest at 2.205% | <u>2,800,000</u> |
| | <u><u>\$ 5,127,544</u></u> |

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, 2006 are as follows:

| Year Ending June 30, | Governmental Activities | | Business-Type Activities | | Totals | |
|-------------------------|-------------------------|-------------------|--------------------------|---------------------|---------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2007 | \$ 300,000 | \$ 75,420 | \$ 171,032 | \$ 145,703 | \$ 471,032 | \$ 221,123 |
| 2008 | 300,000 | 62,850 | 171,032 | 88,987 | 471,032 | 151,837 |
| 2009 | 300,000 | 50,280 | 171,032 | 84,115 | 471,032 | 134,395 |
| 2010 | 300,000 | 37,710 | 171,032 | 79,244 | 471,032 | 116,954 |
| 2011 | 300,000 | 25,140 | 171,032 | 74,373 | 471,032 | 99,513 |
| 2012-2016 | 300,000 | 12,570 | 855,160 | 298,794 | 1,155,160 | 311,364 |
| 2017-2021 | - | - | 855,160 | 177,010 | 855,160 | 177,010 |
| 2022-2026 | - | - | 762,064 | 55,227 | 762,064 | 55,227 |
| | <u>\$ 1,800,000</u> | <u>\$ 263,970</u> | <u>\$ 3,327,544</u> | <u>\$ 1,003,453</u> | <u>\$ 5,127,544</u> | <u>\$ 1,267,423</u> |

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2006:

| | Beginning Balance June 30, 2005 | Additions | Retirements | Ending Balance June 30, 2006 | Due Within One Year |
|---|---------------------------------------|----------------------|---------------------|------------------------------------|------------------------|
| Governmental activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 27,650,000 | \$ 22,000,000 | \$ 2,045,000 | \$ 47,605,000 | \$ 2,685,000 |
| Certificates of participation | 20,545,000 | - | 1,830,000 | 18,715,000 | 1,800,000 |
| Less deferred amounts: | | | | | |
| Advance refunding charge | (1,399,744) | - | (132,374) | (1,267,370) | - |
| Issuance premiums | - | 365,126 | 4,564 | 360,562 | - |
| Issuance discounts | (105,334) | - | (35,458) | (69,876) | - |
| Premium on refunding | 1,127,892 | - | 96,608 | 1,031,284 | - |
| Total bonds payable | 47,817,814 | 22,365,126 | 3,808,340 | 66,374,600 | 4,485,000 |
| Installment purchase obligation | 2,100,000 | - | 300,000 | 1,800,000 | 300,000 |
| Compensated absences | 682,543 | 956,760 | 890,481 | 748,822 | 374,411 |
| Separation allowance pension obligations | 143,106 | 32,346 | - | 175,452 | - |
| Governmental activity long-term liabilities | \$ 50,743,463 | \$ 23,354,232 | \$ 4,998,821 | \$ 69,098,874 | \$ 5,159,411 |
| Business-type activities: | | | | | |
| Installment purchase obligations | \$ 2,980,303 | \$ 378,273 | \$ 31,032 | \$ 3,327,544 | \$ 171,032 |
| Compensated absences | 3,621 | 9,697 | 7,595 | 5,723 | 5,723 |
| Capital lease | 7,569 | - | 6,393 | 1,176 | 1,176 |
| Business-type activity long-term liabilities | \$ 2,991,493 | \$ 387,970 | \$ 45,020 | \$ 3,334,443 | \$ 177,931 |

Compensated absences for governmental activities typically have been liquidated in the general fund and are accounted for on a LIFO basis, assuming that employees are taking leave as it is earned.

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

State statute provides for a legal debt limit of 8 percent of the County's appraised valuation. The County's legal debt margin as of June 30, 2006 amounts to \$559,054,134.

Conduit debt obligations

Carteret County Industrial Facility and Pollution Control Authority has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, the outstanding principal amount payable was \$9,000,000.

Component unit information

The Hospital has a note payable with a bank, payable in consecutive equal annual payments of \$600,000 plus accrued interest at 4.19% due September 2011. The note is collateralized by a deed of trust on certain buildings. At September 30, 2005, the outstanding balance on the note was \$3,600,000.

Scheduled principal repayments are as follows:

| Year Ending September 30, | Amount |
|------------------------------|---------------------|
| 2006 | \$ 600,000 |
| 2007 | 600,000 |
| 2008 | 600,000 |
| 2009 | 600,000 |
| 2010 | 600,000 |
| 2011 | 600,000 |
| | <u>\$ 3,600,000</u> |

The Tourism and Development Authority had accrued compensated absences as a long-term debt at June 30, 2006 in the amount of \$13,007.

The ABC Board entered into a \$25,000 installment loan payable agreement with a GMAC during the year ended June 30, 2004, for which the outstanding balance at June 30, 2006 is \$10,000. Monthly installments of \$417 including interest at 0.0% per annum are due through July 2008. The asset of the ABC Board used to collateralize the installment loan payable is a vehicle.

The ABC Board's notes payable includes a \$250,000 revolving line of credit with First Citizens Bank, interest payable on varying dates based on prime minus .50% to a fixed rate of 4.94% for a tax exempt status. The outstanding balance on this line of credit was \$-0- at June 30, 2006. The note is unsecured and requires that the principal balance be reduced to a zero balance for a period of at least 30 consecutive days during the year.

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

The ABC Board entered into a \$995,000 installment loan payable agreement with First Citizens Bank during the year ended June 30, 2006 with interest payable monthly at bank tax exempt fixed annual rate of 4.50%. Repayment terms call for a 12 month interest only future advance line of credit. Upon completion of the new Atlantic Beach location and the sale of the old Atlantic Beach location the loan will term \$600,000 over a 15 year amortization with 47 consecutive monthly payments and one balloon payment of unpaid principal and interest.

Aggregate maturities of long-term debt are as follows:

| Year Ending June 30, | Amount |
|-------------------------|-------------------|
| 2007 | \$ 5,000 |
| 2008 | 697,835 |
| | <u>\$ 702,835</u> |

The Beaufort-Morehead City Airport Authority entered into an installment purchase contract with Carteret County to finance the purchase of a hangar. The contract requires monthly payments of \$1,220 each including interest at 5% per annum. During the year ended June 30, 2005, the Authority borrowed an additional \$157,540 to pay for a runway resealing project. This additional loan amount and the existing loan were consolidated into one new loan. The new loan requires monthly payments of \$2,078 each including interest at 3.98% per annum, beginning in November 2004 and is collateralized by an assignment of rents by the Authority to the County.

The future minimum debt service payments for the installment purchase contract as of June 30, 2006, including \$31,199 of interest, are as follows:

| Year Ending June 30, | Amount |
|-------------------------|-------------------|
| 2007 | \$ 24,940 |
| 2008 | 24,940 |
| 2009 | 24,940 |
| 2010 | 24,940 |
| 2011 | 24,940 |
| 2012 - 2015 | 83,132 |
| | <u>\$ 207,832</u> |

Notes to Financial Statements

Note 10. Retirement Systems

North Carolina Local Governmental Employees' Retirement System

Plan description: Carteret County and the ABC Board contribute to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report ("CAFR") for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding policy: Plan members are required to contribute six percent of their annual covered salary. The County and the ABC Board are required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.91% and 4.78%, respectively, of annual covered payroll. The ABC Board's current rate for employees not engaged in law enforcement and for law enforcement officers is 4.80% and 4.64%, respectively, of annual covered payroll. The contribution requirements of members and of Carteret County and the ABC Board are established and may be amended by the North Carolina General Assembly. The County's contribution to LGERS for the years ended June 30, 2006, 2005, and 2004 were \$583,636, \$515,848 and \$480,040, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2006, 2005, and 2004 were \$25,049, \$24,037 and \$26,382, respectively. The contribution made by the County and the ABC Board equaled the required contributions for each year.

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. The Separation Allowance is equal to .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. The Separation Allowance is reported in the County's report as a pension trust fund.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2005, the Separation Allowance's membership consisted of:

| | |
|---|------------------|
| Retirees receiving benefits | - |
| Terminated plan member entitled to but not yet receiving benefits | - |
| Active plan members | <u>39</u> |
| Total | <u><u>39</u></u> |

The Plan does not issue a stand-alone financial report.

Carteret County, North Carolina

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

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.

Method used to value investments: No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

3. Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2004 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 5.9% to 9.8% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2004 was 26 years.

Annual pension cost and net pension obligation: The County's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

| | |
|---|-------------------|
| Annual required contribution | \$ 30,190 |
| Interest on net pension obligation | 10,375 |
| Adjustment to annual required contribution | (8,219) |
| Annual pension cost | 32,346 |
| Employer contributions made for fiscal year ended June 30, 2006 | - |
| Increase in net pension obligation | 32,346 |
| Net pension obligation, beginning of fiscal year | 143,106 |
| Net pension obligation, end of fiscal year | \$ 175,452 |

3 Year Trend Information

| Actuarial Valuation Date | Fiscal Year Ended | Annual Pension Cost (APC) | Percentage of APC Contribution | Net Pension Obligation |
|--------------------------|-------------------|---------------------------|--------------------------------|------------------------|
| 12/31/2002 | 06/30/2004 | \$ 25,542 | - | \$ 113,175 |
| 12/31/2003 | 06/30/2005 | 29,931 | - | 143,106 |
| 12/31/2004 | 06/30/2006 | 32,346 | - | 175,452 |

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding policy: Article 12E of G.S. Chapter 143 requires the County and ABC Board to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions from the County for the year ended June 30, 2006 were \$88,209, which consisted of \$70,675 from the County and \$17,534 from law enforcement officers. Contributions from the ABC Board for June 30, 2006 consisted of \$1,542 from the Board and zero from the law enforcement officers.

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, 2006 were \$836,685, which consisted of \$525,530 from the County and \$311,155 from the employees.

Registers of Deeds' Supplemental Pension Fund

Plan description: Carteret County also contributes to the Registers of Deeds' Supplemental Pension Fund ("Fund"), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any county register of deeds who is retired under the 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.

Funding policy: On a monthly basis, the County remits to the Department of State Treasurer an amount equal to 4.5% of the monthly receipts collected pursuant to Article 1 of G.S. Chapter 161. Immediately following January 1 of each year, the Department of State Treasurer divides 93% of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining 7% of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2006, the County's required and actual contributions were \$38,956.

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

Carteret County General Hospital Corporation Pension Plan

The Hospital provides pension benefits for substantially all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan requires that the Hospital contribute an amount equal to 7% of the employee's base salary at the end of each plan year. The Hospital's contributions for each employee (and plan earnings allocated to the employee's account) are fully vested after five years' continuous service. Hospital contributions for, and plan earnings forfeited by, employees who leave employment before five years of service are used to reduce the Hospital's current-period contribution requirement.

Contributions for years ended September 30, 2005 and 2004 totaled \$1,828,573 and \$1,667,783, respectively.

Carteret County Tourism Development Authority Retirement Plan

The Authority has set up a simplified employee pension - Individual Retirement Account for each of its full-time employees who have worked eight months of the immediately preceding five years. The contribution is four percent of salary for qualifying employees. The Authority's contribution amount for the fiscal year ended June 30, 2006 was \$5,688.

Carteret County ABC Board 401 (k) Plan

The ABC Board sponsors a 401 (k) plan for the benefit of its employees, substantially all of whom are eligible to participate after meeting minimum qualifying standards.

The Board has elected to make matching contributions to the 401 (k) plan on behalf of participating employees up to 3% of their eligible wages. The Board made matching contributions to the plan for years ended June 30, 2006 and 2005 totaling \$13,742 and \$8,875, respectively.

Note 11. Other Post-Employment Benefits

Employees have the option to continue group coverage at their expense for a maximum of 18 months after employment if terminated or hours worked are reduced causing an employee to be ineligible for coverage. Covered dependents have the option to continue group coverage for a maximum of 36 months if their coverage is terminated due to employee's death, divorce or legal separation, employee's entitlement to Medicare or a dependent child ceases to be a dependent under the terms of the group's coverage.

The County provides postretirement health care benefits to all employees who retire from the County with at least 20 years of service, until they reach Medicare eligibility. Currently 29 retirees meet those eligibility requirements and the premiums paid on their behalf were \$148,745 for the current fiscal year.

Notes to Financial Statements

Note 11. Other Post-Employment Benefits (Continued)

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 may not exceed \$20,000 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.

Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the year ended June 30, 2006, the County made contributions to the State for death benefits of \$11,966 and the ABC Board made contributions of \$689. The County's and the ABC Board's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .11% and .14% and .12% and .14% of covered payroll respectively. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount.

Note 12. 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.

| | <u>Federal</u> | <u>State</u> |
|------------------------|----------------------|----------------------|
| Food Stamps | \$ 3,668,819 | \$ - |
| Medicaid | 31,748,039 | 15,209,046 |
| TANF and Work First | 352,236 | (24) |
| WIC | 825,924 | - |
| Title IV-E Foster Care | 148,252 | 42,561 |
| Special Assistance | - | 359,753 |
| | <u>\$ 36,743,270</u> | <u>\$ 15,611,336</u> |

Notes to Financial Statements

Note 13. Joint Ventures

The County, in conjunction with Craven County and Pamlico County, participates in the Coastal Regional Solid Waste Management Authority. Carteret County appoints two members of the seven-member board. The Authority is a joint venture established to provide solid waste management within these counties. The County has an ongoing financial responsibility for the Authority because it and the other counties are legally obligated under the intergovernmental agreement that created the Authority to honor any deficiencies in the event that proceeds from other sources are insufficient. The County did not contribute any funds to the Authority during the fiscal year ended June 30, 2006. 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, 2006. Complete financial statements for the Authority can be obtained from the 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 to provide financing for new and restructured facilities. Of the last general obligation bond issue for this purpose, \$7,000,000 in debt is still outstanding. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's facilities. The County contributed \$1,839,516 to the Community College during the fiscal year ended June 30, 2006. 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, 2006. 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.

Component unit information

The Hospital is a member of a limited liability company with two other area healthcare providers. According to the operating agreement of the joint venture, the Hospital acquired a one-third interest by contributing capital of \$1,000. In addition to the \$1,000, the Hospital has contributed \$175,000 to fund start-up costs. The limited liability company was organized to help represent the area healthcare providers on a larger scale. The investment in the joint venture of \$178,276 and \$195,519 for the years ended September 30, 2005 and 2004, respectively, is accounted for under the equity method and is included in other assets in the statements of net assets. During 2005 and 2004, the Hospital's share of the income (loss) (unaudited) is \$(18,993) and \$3,616 and is included in nonoperating income.

Note 14. 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, 2006. During the year ended June 30, 2006, the County appropriated \$740,000 to the library in Carteret County.

Notes to Financial Statements

Note 14. Jointly Governed Organizations (Continued)

Global Trans-Park Development Commission

The Global Trans-Park Development Commission is a corporate body created on November 29, 1993. Its purpose is to allow the 13 participating counties, including Carteret County, which have the potential to derive direct economic benefits from the North Carolina Global Trans-Park, to create a special economic development district, known as the Global Trans-Park Development Zone. The Commission's primary responsibility is to promote and encourage economic development within the territorial jurisdiction of the Zone by fostering development projects to provide land, buildings, facilities, programs, information and data systems, and infrastructure requirements for business and industry in the Global Trans-Park Development Zone.

The Commission is governed by 42 voting members, consisting of three members from Carteret County and each of the 12 other participating counties, and three members appointed by the Global Trans-Park Authority. The voting members from each of the counties are appointed by the Board of County Commissioners of the respective counties.

The Commission is responsible for a nonexpendable trust fund consisting of an initial State appropriation of \$7.5 million and 85% of the quarterly distributions of the \$5 motor vehicle license fees collected by the North Carolina Department of Transportation. The motor vehicle tax was adopted by the legislature and the participating counties and will be collected for a period of five years. The principal balance of the trust funds are nonexpendable and will revolve as loans are made and repaid to the Commission. At June 30, 2006, the portion of the trust available to be loaned exclusively to Carteret County was \$1,705,420.

Note 15. 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.

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 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 for specified aggregate amounts in excess of the basic coverage. Incidents occurring through September 30, 2005 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.

Notes to Financial Statements

Note 15. Commitments and Contingencies (Continued)

The Hospital has been notified by the U.S. Department of Justice of its intent to conduct an investigation into claims submitted for outpatient laboratory billings from 1991 to present. The Hospital has responded that it will comply with this investigation voluntarily with the submission of documentation necessary for the investigation. At September 30, 2005, the amount of potential settlement cannot be reasonable estimated.

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

The ABC Board on May 31, 2006 entered into an offer to purchase contract for property located at 1791 Live Oak Street and 1797 Live Oak Street, Beaufort, North Carolina in the amount of \$350,000. This offer required a refundable deposit of \$10,000.

Note 16. Interfund and Intra-Entity Receivables and Payables

Due to/from other funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---|---------------|
| Internal Service Fund | General Fund: | |
| | Health Insurance Proceeds from Accrued Payroll for the period ending June 30, 2006 | \$ 51,404 |

Due to/from primary government and component units:

| <u>Receivable Entity</u> | <u>Payable Entity</u> | <u>Amount</u> |
|--------------------------|--|-------------------|
| Primary government: | Component unit: | |
| General Fund | Beaufort-Morehead City Airport Authority | |
| | Loan amount due to Carteret County from component unit | \$ 176,634 |
| | Carteret County ABC Board | |
| | Net income distribution due to County at June 30, 2006 | 121,624 |
| | | <u>\$ 298,258</u> |

Carteret County, North Carolina

Notes to Financial Statements

Note 17. Interfund 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 nonoperating revenues (expenses) in the Enterprise Fund.

Interfund transfers for the year ended June 30, 2006 are as follows:

| Transfers Out | Transfers In | | | Total |
|----------------------------|---------------------|--------------------------|-------------------|---------------------|
| | Major General | Other Governmental Funds | Major Water Fund | |
| Major General Fund | \$ - | \$ 3,215,119 | \$ 210,940 | \$ 3,426,059 |
| Occupancy Tax Fund | 1,119,599 | 27,000 | - | 1,146,599 |
| Other Governmental Funds | 116,199 | - | - | 116,199 |
| Total transfers out | \$ 1,235,798 | \$ 3,242,119 | \$ 210,940 | \$ 4,688,857 |

Transfers consist primarily of the following:

| | |
|---------------------|--|
| \$ 3,426,059 | Transfer from General Fund for various current and future capital projects and to supplement other funding sources in the special revenue, capital projects and enterprise funds |
| 53,846 | Transfer from Occupancy Tax Fund in accordance with North Carolina General Statutes |
| 1,065,753 | Transfer from Occupancy Tax Fund for reimbursement in accordance with North Carolina General Statutes |
| 27,000 | Transfer from Occupancy Tax Fund in accordance with North Carolina General Statutes |
| 116,199 | Transfer available for Community College projects |

Intra-entity transactions with discretely presented component units for the year ended June 30, 2006 are as follows:

| | |
|---|----------------------------|
| Expenditures from General Fund to Beaufort-Morehead City Airport Authority for operations | \$ 101,892 |
| Expenditures from Occupancy Tax Fund to Carteret County Tourism Development Authority for portion of Room Occupancy Tax | <u>2,270,349</u> |
| | <u>\$ 2,372,241</u> |
| Profit Contributions from ABC Board to General Fund | <u>\$ 320,073</u> |

Notes to Financial Statements

Note 18. Pronouncements Issued, Not Yet Effective

The GASB has issued several pronouncements prior to June 30, 2006, which are not yet effective, but may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the County.

In July, 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which addresses how state and local governments should account for and report their costs and obligation related to postemployment healthcare and other nonpension benefits. Collectively, these benefits are commonly referred to as *other postemployment benefits*, or *OPEB*. The Statement generally requires that state and local governmental employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on and ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of Statement 45 may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods. Statement 45 also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumption, and, for certain employers, the extent to which the plan has been funded over time. Statement 45 is effective in three phases based on a government's total annual revenues. The largest employers would be required to implement the requirements of Statement 45 for periods beginning after December 15, 2006. Medium-sized employers have one additional year to implement the standards, and the smallest employers have two additional years. Earlier implementation is encouraged. The County must adopt Statement No. 45 by its fiscal year ending June 30, 2009.

GASB Statement No. 47, *Accounting for Termination Benefits*. This Statement requires financial statements prepared on the accrual basis of accounting to recognize a liability and expense for voluntary termination benefits when the offer of termination benefits is accepted and the amount can be estimated. A liability and expense for involuntary termination benefits should be recognized when a plan of termination has been approved by those with the authority to commit the entity to the plan, the plan has been communicated to employees, and the amount can be estimated. The County is required to adopt this Statement the same time it adopts GASB Statement No. 45 mentioned above.

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This Statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The criteria should be used to determine the extent to which a transferor government either retains or relinquishes control over the receivables or future revenues through its continuing involvement with those receivables or future revenues. This Statement establishes that a transaction will be reported as a collateralized borrowing unless the criteria indicating that a sale has taken place are met. If it is determined that a transaction involving receivables should be reported as a sale, the difference between the carrying value of the receivables and the proceeds should be recognized in the period of the sale in the change statements. If it is determined that a transaction involving future revenues should be reported as a sale, the revenue should be deferred and amortized, except when specific criteria are met. This Statement also provides additional guidance for sales of receivables and future revenues within the same financial reporting entity.

Notes to Financial Statements

Note 18. Pronouncements Issued, Not Yet Effective (Continued)

This Statement includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components. Therefore, any assets (or future revenues) sold or donated within the same financial reporting entity should continue to be reported at their current carrying value when those assets or future revenues are transferred.

This Statement also includes guidance to be used for recognizing other assets and liabilities arising from a sale of specific receivables or future revenues, including residual interests and recourse provisions. The disclosures pertaining to future revenues that have been pledged or sold are intended to provide financial statement users with information about which revenues will be unavailable for other purposes and how long they will continue to be so. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2006.

Note 19. Subsequent Event

On September 28, 2006, the County issued a Qualified Zone Academy Bond in the amount of \$2,000,000. The bond is noninterest bearing due annually in fourteen equal installments starting in September 2007. This bond will fund renovations to Morehead City Elementary School.

Required Supplemental Financial Data

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

Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance

Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance

Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance

Carteret County, North Carolina

Law Enforcement Officers' Special Separation Allowance
 Required Supplementary Information
 Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial value of assets (a) | Actuarial Accrued Liability (AAL)- Proj Unit Credit (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll for Year Ending on Valuation Date (c) | UAAL as a Percentage of Covered Payroll ((b-a) /c) |
|--------------------------------|--|---|------------------------------------|--------------------------|--|--|
| 12/31/2000 | \$ - | \$ 149,530 | \$ 149,530 | 0.00% | \$ 1,033,427 | 14.47% |
| 12/31/2001 | - | 165,054 | 165,054 | 0.00% | 988,446 | 16.70% |
| 12/31/2002 | - | 153,701 | 153,701 | 0.00% | 1,065,893 | 14.42% |
| 12/31/2003 | - | 179,265 | 179,265 | 0.00% | 1,203,410 | 14.90% |
| 12/31/2004 | - | 205,031 | 205,031 | 0.00% | 1,214,506 | 16.88% |
| 12/31/2005 | - | 185,553 | 185,553 | 0.00% | 1,335,490 | 13.89% |

Carteret County, North Carolina

Law Enforcement Officers' Special Separation Allowance
 Required Supplementary Information
 Schedule of Employer Contributions

| Year Ending June 30, | Annual Required Contributions | Percentage Contributions |
|-------------------------|-------------------------------------|-----------------------------|
| 2001 | \$ 14,782 | - % |
| 2002 | 24,322 | - |
| 2003 | 26,030 | - |
| 2004 | 25,542 | - |
| 2005 | 29,931 | - |
| 2006 | 32,346 | - |

Notes to the Required Schedules:

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

| | |
|-------------------------------|-----------------------------|
| Valuation date | December 31, 2005 |
| Actuarial cost method | Projected unit credit |
| Amortization method | Level percent of pay closed |
| Remaining amortization period | 25 years |
| Asset valuation method | Market value |
| Actuarial assumptions: | |
| Investment rate of return* | 7.25% |
| Projected salary increases* | 4.5% - 12.3% |
| *Includes inflation at | 3.75% |
| Cost of living adjustments | N/A |

General Fund

Major Funds Summary

Carteret County, North Carolina
General Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2006

| | Final Budget | Actual | Variance With Final Budget - Positive (Negative) |
|------------------------------------|-------------------|-------------------|--|
| Revenue | | | |
| Ad valorem taxes: | | | |
| Current period | \$ 32,727,780 | \$ 33,517,698 | \$ 789,918 |
| Prior years | 910,000 | 976,114 | 66,114 |
| Interest and penalties | 245,000 | 301,543 | 56,543 |
| | <u>33,882,780</u> | <u>34,795,355</u> | <u>912,575</u> |
| Other taxes and licenses: | | | |
| White goods disposal tax | 15,000 | 24,404 | 9,404 |
| ABC local bottle tax | 24,000 | 28,167 | 4,167 |
| Local option sales tax | 12,938,000 | 14,303,322 | 1,365,322 |
| Scrap tire disposal tax | 56,500 | 63,268 | 6,768 |
| | <u>13,033,500</u> | <u>14,419,161</u> | <u>1,385,661</u> |
| Permits and fees: | | | |
| Sheriff fees | 75,000 | 63,938 | (11,062) |
| Register of deeds | 1,816,600 | 2,446,170 | 629,570 |
| Privilege licenses | 13,000 | 14,898 | 1,898 |
| Franchise fees | 216,500 | 336,190 | 119,690 |
| Building and Inspection Fees | 665,000 | 806,505 | 141,505 |
| Other fees | 354,616 | 496,670 | 142,054 |
| | <u>3,140,716</u> | <u>4,164,371</u> | <u>1,023,655</u> |
| Intergovernmental: | | | |
| Restricted: | | | |
| Federal and State grants | 9,452,225 | 9,097,410 | (354,815) |
| Court facilities fees | 260,000 | 313,609 | 53,609 |
| Unrestricted: | | | |
| Beer and wine tax | 149,000 | 157,910 | 8,910 |
| Sales and gas tax refunds | - | 18,141 | 18,141 |
| ABC profits | 225,000 | 201,214 | (23,786) |
| Croatan National Forest | 60,000 | 151,611 | 91,611 |
| | <u>10,146,225</u> | <u>9,939,895</u> | <u>(206,330)</u> |
| Sales and services: | | | |
| Solid waste | 2,241,595 | 2,136,283 | (105,312) |
| Civic center fees | 105,000 | 114,921 | 9,921 |
| Other | 273,716 | 338,786 | 65,070 |
| | <u>2,620,311</u> | <u>2,589,990</u> | <u>(30,321)</u> |
| Interest | 560,000 | 1,015,818 | 455,818 |
| Miscellaneous: | | | |
| Proceeds from sale of fixed assets | 22,000 | 45,100 | 23,100 |
| Other | 504,642 | 653,089 | 148,447 |
| | <u>526,642</u> | <u>698,189</u> | <u>171,547</u> |
| Total revenue | <u>63,910,174</u> | <u>67,622,779</u> | <u>3,712,605</u> |

(Continued)

Carteret County, North Carolina
General Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2006

| | Final Budget | Actual | Variance With Final Budget - Positive (Negative) |
|--------------------------------|------------------|----------------|--|
| Expenditures | | | |
| General government: | | | |
| Governing body: | | | |
| Salaries and employee benefits | \$ 53,060 | \$ 47,077 | \$ 5,983 |
| Operating expenses | 270,419 | 223,450 | 46,969 |
| Professional services | 136,000 | 108,487 | 27,513 |
| | <u>459,479</u> | <u>379,014</u> | <u>80,465</u> |
| Administration: | | | |
| Salaries and employee benefits | 275,226 | 259,558 | 15,668 |
| Operating expenses | 42,600 | 30,231 | 12,369 |
| | <u>317,826</u> | <u>289,789</u> | <u>28,037</u> |
| Information systems: | | | |
| Salaries and employee benefits | 197,498 | 194,211 | 3,287 |
| Operating expenses | 241,399 | 218,918 | 22,481 |
| | <u>438,897</u> | <u>413,129</u> | <u>25,768</u> |
| Finance: | | | |
| Salaries and employee benefits | 412,771 | 405,785 | 6,986 |
| Operating expenses | 54,300 | 37,445 | 16,855 |
| | <u>467,071</u> | <u>443,230</u> | <u>23,841</u> |
| Human resources: | | | |
| Salaries and employee benefits | 83,486 | 83,522 | (36) |
| Operating expenses | 26,425 | 23,821 | 2,604 |
| | <u>109,911</u> | <u>107,343</u> | <u>2,568</u> |
| Tax: | | | |
| Salaries and employee benefits | 810,285 | 789,420 | 20,865 |
| Operating expenses | 114,885 | 93,335 | 21,550 |
| Contract services | 104,500 | 75,313 | 29,187 |
| | <u>1,029,670</u> | <u>958,068</u> | <u>71,602</u> |
| Revaluation: | | | |
| Salaries and employee benefits | 209,689 | 172,139 | 37,550 |
| Operating expenses | 58,500 | 33,756 | 24,744 |
| Contract services | 63,496 | 153 | 63,343 |
| Capital outlay | 13,904 | 13,665 | 239 |
| | <u>345,589</u> | <u>219,713</u> | <u>125,876</u> |
| Legal: | | | |
| Professional services | 60,000 | 50,282 | 9,718 |
| | <u>60,000</u> | <u>50,282</u> | <u>9,718</u> |
| Court facilities: | | | |
| Operating expenses | 52,796 | 52,796 | - |
| | <u>52,796</u> | <u>52,796</u> | <u>-</u> |
| Elections: | | | |
| Salaries and employee benefits | 151,652 | 142,829 | 8,823 |
| Operating expenses | 142,475 | 147,591 | (5,116) |
| | <u>294,127</u> | <u>290,420</u> | <u>3,707</u> |
| Register of deeds: | | | |
| Salaries and employee benefits | 323,777 | 326,022 | (2,245) |
| Operating expenses | 128,478 | 108,774 | 19,704 |
| Capital outlay | 58,520 | - | 58,520 |
| | <u>510,775</u> | <u>434,796</u> | <u>75,979</u> |

(Continued)

Carteret County, North Carolina
General Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2006

| | Final Budget | Actual | Variance With Final Budget - Positive (Negative) |
|---------------------------------|------------------|------------------|--|
| Public buildings: | | | |
| Salaries and employee benefits | \$ 453,271 | \$ 443,249 | \$ 10,022 |
| Operating expenses | 545,467 | 509,631 | 35,836 |
| Capital outlay | 421,704 | 306,735 | 114,969 |
| | <u>1,420,442</u> | <u>1,259,615</u> | <u>160,827</u> |
| Total general government | 5,506,583 | 4,898,195 | 608,388 |
| Public safety: | | | |
| Sheriff: | | | |
| Salaries and employee benefits | 2,120,171 | 2,024,884 | 95,287 |
| Operating expenses | 532,821 | 595,627 | (62,806) |
| Contract services | 4,300 | 863 | 3,437 |
| Capital outlay | 173,650 | 171,489 | 2,161 |
| | <u>2,830,942</u> | <u>2,792,863</u> | <u>38,079</u> |
| Communications: | | | |
| Salaries and employee benefits | 371,144 | 358,875 | 12,269 |
| Operating expenses | 66,650 | 47,844 | 18,806 |
| | <u>437,794</u> | <u>406,719</u> | <u>31,075</u> |
| Sheriff - Jail division: | | | |
| Salaries and employee benefits | 1,195,736 | 1,143,156 | 52,580 |
| Operating expenses | 628,503 | 560,184 | 68,319 |
| Contract services | 207,000 | 256,911 | (49,911) |
| | <u>2,031,239</u> | <u>1,960,251</u> | <u>70,988</u> |
| Emergency medical service: | | | |
| Salaries and employee benefits | 112,172 | 115,991 | (3,819) |
| Operating expenses | 19,050 | 14,069 | 4,981 |
| Contract services | 14,700 | 14,700 | - |
| | <u>145,922</u> | <u>144,760</u> | <u>1,162</u> |
| Paramedic operations: | | | |
| Salaries and employee benefits | 514,607 | 510,958 | 3,649 |
| Operating expenses | 133,172 | 132,794 | 378 |
| Capital outlay | 14,500 | 14,500 | - |
| | <u>662,279</u> | <u>658,252</u> | <u>4,027</u> |
| Emergency management: | | | |
| Salaries and employee benefits | 74,285 | 67,216 | 7,069 |
| Operating expenses | 204,467 | 157,349 | 47,118 |
| Contract services | 11,700 | 11,773 | (73) |
| Capital outlay | 27,507 | 34,591 | (7,084) |
| | <u>317,959</u> | <u>270,929</u> | <u>47,030</u> |
| Rape crisis program: | | | |
| Salaries and employee benefits | 117,232 | 114,581 | 2,651 |
| Operating expenses | 19,274 | 18,685 | 589 |
| Contract services | 22,000 | 21,998 | 2 |
| | <u>158,506</u> | <u>155,264</u> | <u>3,242</u> |
| Domestic violence program: | | | |
| Operating expenses | 111,581 | 85,158 | 26,423 |

(Continued)

Carteret County, North Carolina
General Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2006

| | Final Budget | Actual | Variance With Final Budget - Positive (Negative) |
|--|------------------|------------------|--|
| Fire Marshall: | | | |
| Salaries and employee benefits | \$ 36,050 | \$ 36,271 | \$ (221) |
| Operating expenses | 20,227 | 14,184 | 6,043 |
| Capital Outlay | 32,000 | 30,127 | 1,873 |
| | <u>88,277</u> | <u>80,582</u> | <u>7,695</u> |
| Medical examiner: | | | |
| Professional services | 55,000 | 53,525 | 1,475 |
| Animal control: | | | |
| Salaries and employee benefits | 253,958 | 239,168 | 14,790 |
| Operating expenses | 299,800 | 306,568 | (6,768) |
| Capital outlay | 15,226 | 15,165 | 61 |
| | <u>568,984</u> | <u>560,901</u> | <u>8,083</u> |
| Total public safety | <u>7,408,483</u> | <u>7,169,204</u> | <u>239,279</u> |
| Transportation: | | | |
| Harbors: | | | |
| Operating expenses | 103,300 | 81,763 | 21,537 |
| Beaufort-Morehead City Airport Authority | 101,900 | 101,892 | 8 |
| CCATS: | | | |
| Salaries and employee benefits | 76,819 | 67,566 | 9,253 |
| Operating expenses | 325,500 | 322,098 | 3,402 |
| Capital outlay | 192,500 | 163,172 | 29,328 |
| | <u>594,819</u> | <u>552,836</u> | <u>41,983</u> |
| Total transportation | <u>800,019</u> | <u>736,491</u> | <u>63,528</u> |
| Environmental protection: | | | |
| Forest fire control | 103,000 | 96,019 | 6,981 |
| Landfill closure | 14,500 | 12,379 | 2,121 |
| Tri-County solid waste collections | 2,857,103 | 2,706,956 | 150,147 |
| Soil conservation: | | | |
| Salaries and employee benefits | 70,588 | 68,792 | 1,796 |
| Operating expenses | 11,925 | 10,240 | 1,685 |
| | <u>82,513</u> | <u>79,032</u> | <u>3,481</u> |
| Public works: | | | |
| Salaries and employee benefits | 282,556 | 275,994 | 6,562 |
| Operating expenses | 138,785 | 117,410 | 21,375 |
| Contract services | 27,300 | 24,984 | 2,316 |
| Capital outlay | 84,945 | 91,348 | (6,403) |
| | <u>533,586</u> | <u>509,736</u> | <u>23,850</u> |
| Total environmental protection | <u>3,590,702</u> | <u>3,404,122</u> | <u>186,580</u> |

(Continued)

Carteret County, North Carolina
General Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2006

| | Final Budget | Actual | Variance With Final Budget - Positive (Negative) |
|--|------------------|------------------|--|
| Economic and physical development: | | | |
| Special appropriations: | | | |
| Economic Development Council | \$ 150,000 | \$ 150,000 | \$ - |
| Business development | 100,001 | 100,000 | 1 |
| | <u>250,001</u> | <u>250,000</u> | <u>1</u> |
| Beach nourishment | | | |
| Salaries and employee benefits | 77,856 | 76,106 | 1,750 |
| Operating expenses | 250,760 | 237,431 | 13,329 |
| Contract services | 372,000 | 288,204 | 83,796 |
| | <u>700,616</u> | <u>601,741</u> | <u>98,875</u> |
| Planning and zoning: | | | |
| Salaries and employee benefits | 577,188 | 536,085 | 41,103 |
| Operating expenses | 71,439 | 66,427 | 5,012 |
| Contract services | 9,512 | 7,181 | 2,331 |
| | <u>658,139</u> | <u>609,693</u> | <u>48,446</u> |
| Engineering: | | | |
| Salaries and employee benefits | 100,938 | 99,436 | 1,502 |
| Operating expenses | 13,500 | 10,000 | 3,500 |
| | <u>114,438</u> | <u>109,436</u> | <u>5,002</u> |
| Cooperative extension: | | | |
| Salaries and employee benefits | 17,938 | 15,498 | 2,440 |
| Operating expenses | 217,883 | 203,063 | 14,820 |
| | <u>235,821</u> | <u>218,561</u> | <u>17,260</u> |
| Total economic and physical development | <u>1,959,015</u> | <u>1,789,431</u> | <u>169,584</u> |
| Human Services: | | | |
| Health center: | | | |
| Salaries and employee benefits | 673,669 | 636,463 | 37,206 |
| Operating expenses | 229,145 | 203,346 | 25,799 |
| Capital outlay | 8,275 | 8,274 | 1 |
| | <u>911,089</u> | <u>848,083</u> | <u>63,006</u> |
| Health promotion: | | | |
| Salaries and employee benefits | 88,068 | 67,185 | 20,883 |
| Operating expenses | 8,900 | 5,859 | 3,041 |
| Capital outlay | 8,000 | 7,800 | 200 |
| | <u>104,968</u> | <u>80,844</u> | <u>24,124</u> |
| Breast & Cervical Cancer | | | |
| Salaries and employee benefits | 23,719 | 19,849 | 3,870 |
| Operating expenses | 15,650 | 11,063 | 4,587 |
| | <u>39,369</u> | <u>30,912</u> | <u>8,457</u> |
| Dental Program | | | |
| Salaries and employee benefits | 221,635 | 197,617 | 24,018 |
| Operating expenses | 29,456 | 25,357 | 4,099 |
| | <u>251,091</u> | <u>222,974</u> | <u>28,117</u> |
| Communicable Diseases | | | |
| Salaries and employee benefits | 81,553 | 81,219 | 334 |
| Operating expenses | 1,200 | 1,006 | 194 |
| | <u>82,753</u> | <u>82,225</u> | <u>528</u> |

(Continued)

Carteret County, North Carolina
General Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2006

| | Final Budget | Actual | Variance With Final Budget - Positive (Negative) |
|-------------------------------------|------------------|------------------|--|
| Operating Preparedness and Response | | | |
| Salaries and employee benefits | \$ 73,303 | \$ 67,471 | \$ 5,832 |
| Operating expenses | 21,020 | 19,671 | 1,349 |
| | <u>94,323</u> | <u>87,142</u> | <u>7,181</u> |
| Family Planning | | | |
| Salaries and employee benefits | 112,442 | 109,438 | 3,004 |
| Operating expenses | 56,564 | 40,367 | 16,197 |
| | <u>169,006</u> | <u>149,805</u> | <u>19,201</u> |
| Maternal adult and child health: | | | |
| Salaries and employee benefits | 281,737 | 254,841 | 26,896 |
| Operating expenses | 12,225 | 6,397 | 5,828 |
| | <u>293,962</u> | <u>261,238</u> | <u>32,724</u> |
| Child care coordination: | | | |
| Salaries and employee benefits | 151,602 | 129,009 | 22,593 |
| Operating expenses | 2,240 | 2,027 | 213 |
| | <u>153,842</u> | <u>131,036</u> | <u>22,806</u> |
| Women, infants, and children: | | | |
| Administration: | | | |
| Salaries and employee benefits | 180,932 | 177,657 | 3,275 |
| Operating expenses | 12,223 | 11,071 | 1,152 |
| | <u>193,155</u> | <u>188,728</u> | <u>4,427</u> |
| Nutrition: | | | |
| Salaries and employee benefits | 41,171 | 41,305 | (134) |
| Operating expenses | 865 | 288 | 577 |
| | <u>42,036</u> | <u>41,593</u> | <u>443</u> |
| Environmental health: | | | |
| Salaries and employee benefits | 807,140 | 792,989 | 14,151 |
| Operating expenses | 133,182 | 90,902 | 42,280 |
| Capital outlay | 28,570 | 27,726 | 844 |
| | <u>968,892</u> | <u>911,617</u> | <u>57,275</u> |
| State smart start grant: | | | |
| Salaries and fringe benefits | 29,430 | 24,813 | 4,617 |
| Operating supplies | 10,903 | 9,033 | 1,870 |
| | <u>40,333</u> | <u>33,846</u> | <u>6,487</u> |
| Mental health: | | | |
| Mental health center and other | 234,000 | 234,000 | - |
| Mental health, ABC | 19,000 | 28,167 | (9,167) |
| | <u>253,000</u> | <u>262,167</u> | <u>(9,167)</u> |
| DSS administration: | | | |
| Salaries and employee benefits | 4,033,227 | 3,863,584 | 169,643 |
| Operating expenses | 379,500 | 373,956 | 5,544 |
| Professional services | 62,000 | 79,267 | (17,267) |
| | <u>4,474,727</u> | <u>4,316,807</u> | <u>157,920</u> |
| General assistance: | | | |
| Boarding home | 150,000 | 113,691 | 36,309 |
| Clothing and medical expense | 40,000 | 27,431 | 12,569 |
| Special children adoption | 37,000 | 22,930 | 14,070 |
| Miscellaneous | 41,034 | 43,309 | (2,275) |
| | <u>268,034</u> | <u>207,361</u> | <u>60,673</u> |

(Continued)

Carteret County, North Carolina
General Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2006

| | Final Budget | Actual | Variance With Final Budget - Positive (Negative) |
|-----------------------------------|-------------------|-------------------|--|
| TANF Block grant: | | | |
| TANF Block grant | \$ 228,352 | \$ 181,803 | \$ 46,549 |
| Operating expenses | 63,000 | 63,054 | (54) |
| | <u>291,352</u> | <u>244,857</u> | <u>46,495</u> |
| DSS special assistance | <u>6,190,301</u> | <u>5,369,786</u> | <u>820,515</u> |
| Special projects | <u>322,910</u> | <u>258,550</u> | <u>64,360</u> |
| Other human services | <u>332,788</u> | <u>322,308</u> | <u>10,480</u> |
| CBA juvenile restitution program: | | | |
| Salaries and employee benefits | 40,891 | 33,621 | 7,270 |
| Operating expenses | 5,160 | 5,886 | (726) |
| Contract services | 6,125 | 6,228 | (103) |
| | <u>52,176</u> | <u>45,735</u> | <u>6,441</u> |
| Veteran services: | | | |
| Salaries and employee benefits | 184,849 | 174,342 | 10,507 |
| Operating expenses | 25,283 | 23,336 | 1,947 |
| Contract services | 6,982 | 8,299 | (1,317) |
| | <u>217,114</u> | <u>205,977</u> | <u>11,137</u> |
| Senior center operation: | | | |
| Salaries and employee benefits | 123,053 | 115,998 | 7,055 |
| Operating expenses | 85,152 | 65,999 | 19,153 |
| Contract services | 131,742 | 129,666 | 2,076 |
| | <u>339,947</u> | <u>311,663</u> | <u>28,284</u> |
| Title III F grant: | | | |
| Salaries and employee benefits | 3,100 | 2,670 | 430 |
| Operating expenses | 3,814 | 4,194 | (380) |
| | <u>6,914</u> | <u>6,864</u> | <u>50</u> |
| Senior center outreach | | | |
| Salaries and employee benefits | 26,136 | 24,027 | 2,109 |
| Operating expenses | 9,629 | 8,198 | 1,431 |
| Contract services | 5,280 | 4,766 | 514 |
| | <u>41,045</u> | <u>36,991</u> | <u>4,054</u> |
| Total human services | <u>16,135,127</u> | <u>14,659,109</u> | <u>1,476,018</u> |
| Culture and recreation: | | | |
| Parks and recreation: | | | |
| Salaries and employee benefits | 352,928 | 326,366 | 26,562 |
| Operating expenses | 292,674 | 270,505 | 22,169 |
| Contract services | 36,500 | 31,648 | 4,852 |
| | <u>682,102</u> | <u>628,519</u> | <u>53,583</u> |
| Parks and recreation maintenance: | | | |
| Salaries and employee benefits | 398,388 | 348,282 | 50,106 |
| Operating expenses | 355,410 | 343,560 | 11,850 |
| Contract services | 15,327 | 14,839 | 488 |
| Capital outlay | 22,000 | 22,000 | - |
| | <u>791,125</u> | <u>728,681</u> | <u>62,444</u> |

(Continued)

Carteret County, North Carolina
General Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2006

| | Final Budget | Actual | Variance With Final Budget - Positive (Negative) |
|---|-------------------|----------------------|--|
| Senior center: | | | |
| Salaries and employee benefits | \$ 113,748 | \$ 110,626 | \$ 3,122 |
| Operating expenses | 52,663 | 34,808 | 17,855 |
| Contract services | 18,100 | 24,318 | (6,218) |
| | <u>184,511</u> | <u>169,752</u> | <u>14,759</u> |
| Carteret County Library: | | | |
| Appropriations to Tri-County Library | 740,000 | 740,000 | - |
| Civic center: | | | |
| Salaries and employee benefits | 168,099 | 163,184 | 4,915 |
| Operating expenses | 135,724 | 115,493 | 20,231 |
| Contract services | 2,970 | 2,380 | 590 |
| | <u>306,793</u> | <u>281,057</u> | <u>25,736</u> |
| Total culture and recreation | <u>2,704,531</u> | <u>2,548,009</u> | <u>156,522</u> |
| Education: | | | |
| Public schools, current expense | 17,031,289 | 17,031,214 | 75 |
| Community college, current expense | 1,700,000 | 1,699,992 | 8 |
| Community college, capital outlay | 140,000 | 139,524 | 476 |
| Total education | <u>18,871,289</u> | <u>18,870,730</u> | <u>559</u> |
| Debt service: | | | |
| Principal retirement | 4,185,000 | 4,175,000 | 10,000 |
| Interest and fees | 2,175,500 | 2,161,065 | 14,435 |
| Total debt service | <u>6,360,500</u> | <u>6,336,065</u> | <u>24,435</u> |
| Total expenditures | <u>63,336,249</u> | <u>60,411,356</u> | <u>2,924,893</u> |
| Revenue over (under) expenditures | <u>573,925</u> | <u>7,211,423</u> | <u>6,637,498</u> |
| Other financing sources (uses) | | | |
| Transfers in (out): | | | |
| From Occupancy Tax Fund | 1,424,925 | 1,119,599 | (305,326) |
| From E-911 Fund | 25,000 | - | (25,000) |
| From Community College Bond Fund | 140,000 | 116,199 | (23,801) |
| To School Project Fund | (2,892,691) | (2,892,691) | - |
| To Water Fund | (210,940) | (210,940) | - |
| To Capital Improvements Fund | (321,428) | (321,428) | - |
| To Fire District Fund | (1,000) | (1,000) | - |
| Contingency reserves | (1,324,334) | - | 1,324,334 |
| Appropriated fund balance | 2,586,543 | - | (2,586,543) |
| Total other financing sources | <u>(573,925)</u> | <u>(2,190,261)</u> | <u>(1,616,336)</u> |
| Revenue and other sources over expenditures and other uses | <u>\$ -</u> | <u>5,021,162</u> | <u>\$ 5,021,162</u> |
| Fund balance | | | |
| Beginning, as adjusted | | 23,255,315 | |
| Ending | | <u>\$ 28,276,477</u> | |

Carteret County, North Carolina

Statement of Revenue, Expenditures and Changes in Fund Balance -
 Budget and Actual - 2006 School Bond Project Fund
 From Inception and for the Year Ended June 30, 2006

| | 2006 School Bond Project Fund | | | | |
|--|---------------------------------|--------------------------------|----------------|----------------------|----------------------|
| | Original Project Estimate | Amended Project Estimate | Actual | | |
| | | | Prior Years | Current Year | Total to Date |
| Revenue | | | | | |
| Interest | \$ - | \$ - | \$ - | \$ 193,232 | \$ 193,232 |
| Total revenue | - | - | - | 193,232 | 193,232 |
| Expenditures | | | | | |
| Current: | | | | | |
| Atlantic Elementary School | - | - | - | 5,654 | 5,654 |
| Beaufort Middle School | - | - | - | 59,264 | 59,264 |
| Bogue Sound Elementary School | - | - | - | 9,284 | 9,284 |
| Broad Creek Middle School | 197,667 | 197,667 | - | 169,661 | 169,661 |
| Croatan High School | - | - | - | 9,515 | 9,515 |
| East Carteret High School | 87,396 | 87,396 | - | 17,887 | 17,887 |
| Harkers Island School | - | - | - | 9,982 | 9,982 |
| Morehead Middle School | 77,265 | 77,265 | - | - | - |
| Morehead Primary School | 168,039 | 168,039 | - | 8,263 | 8,263 |
| Newport Elementary School | - | - | - | 15,140 | 15,140 |
| Smyrna Elementary School | 58,995 | 58,995 | - | - | - |
| West Carteret High School | 178,045 | 178,045 | - | - | - |
| White Oak Elementary School | - | - | - | 13,989 | 13,989 |
| Issuance cost | 100,000 | 100,000 | - | 68,580 | 68,580 |
| Capital outlay | 20,771,955 | 20,771,955 | - | - | - |
| Total expenditures | 21,639,362 | 21,639,362 | - | 387,219 | 387,219 |
| Revenue under expenditures | (21,639,362) | (21,639,362) | - | (193,987) | (193,987) |
| Other financing sources (uses) | | | | | |
| Long-term debt issued | 22,000,000 | 22,000,000 | - | 22,000,000 | 22,000,000 |
| Bond premium | 365,126 | 365,126 | - | 365,126 | 365,126 |
| Transfer to other funds | (725,764) | (725,764) | - | - | - |
| Total other financing sources (uses) | 21,639,362 | 21,639,362 | - | 22,365,126 | 22,365,126 |
| Revenue over expenditures and other sources | \$ - | \$ - | \$ - | 22,171,139 | \$ 22,171,139 |
| Fund balances | | | | | |
| Beginning | | | | - | |
| Ending | | | | <u>\$ 22,171,139</u> | |

Carteret County, North Carolina

Combining Balance Sheet - Nonmajor Governmental Fund Types
June 30, 2006

| | Government Fund Types | | |
|---|-----------------------------|------------------------------|--|
| | Special Revenue Funds | Capital Projects Funds | Total Nonmajor Governmental Funds |
| Assets | | | |
| Assets: | | | |
| Cash and investments | \$ 923,547 | \$ 2,266,294 | \$ 3,189,841 |
| Receivables, net | 744,726 | - | 744,726 |
| Total assets | \$ 1,668,273 | \$ 2,266,294 | \$ 3,934,567 |
| Liabilities and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable and accrued liabilities | \$ 662,939 | \$ 159,511 | \$ 822,450 |
| Deferred revenue | 250,657 | - | 250,657 |
| Total liabilities | 913,596 | 159,511 | 1,073,107 |
| Fund balances: | | | |
| Reserved by State statute | 494,069 | - | 494,069 |
| Unreserved: | | | |
| Designated for subsequent year's expenditures | 17,860 | 688,168 | 706,028 |
| Undesignated | 242,748 | 1,418,615 | 1,661,363 |
| Total fund balance | 754,677 | 2,106,783 | 2,861,460 |
| Total liabilities and fund balance | \$ 1,668,273 | \$ 2,266,294 | \$ 3,934,567 |

Carteret County, North Carolina

Combining Statement of Revenue, Expenditures and Changes in Fund Balances -
 Nonmajor Governmental Fund Types
 Year Ended June 30, 2006

| | Government Fund Types | | |
|---|-----------------------------|------------------------------|--|
| | Special Revenue Funds | Capital Projects Funds | Total Nonmajor Governmental Funds |
| Revenue | | | |
| Ad valorem taxes | \$ 4,199,789 | \$ - | \$ 4,199,789 |
| Other taxes and licenses | 2,229,146 | - | 2,229,146 |
| Intergovernmental | 508,607 | 218,307 | 726,914 |
| Interest | 24,315 | 60,739 | 85,054 |
| Total revenue | 6,961,857 | 279,046 | 7,240,903 |
| Expenditures | | | |
| Current: | | | |
| Public safety | 6,253,120 | - | 6,253,120 |
| Economic and physical development | 552,715 | - | 552,715 |
| Capital outlay | - | 3,449,732 | 3,449,732 |
| Total expenditures | 6,805,835 | 3,449,732 | 10,255,567 |
| Revenue over (under) expenditures | 156,022 | (3,170,686) | (3,014,664) |
| Other financing sources (uses) | | | |
| Transfers in | 28,000 | 3,214,119 | 3,242,119 |
| Transfers out | - | (116,199) | (116,199) |
| Total other financing sources (uses) | 28,000 | 3,097,920 | 3,125,920 |
| Net change in fund balance | 184,022 | (72,766) | 111,256 |
| Fund balances | | | |
| Beginning | 570,655 | 2,179,549 | 2,750,204 |
| Ending | \$ 754,677 | \$ 2,106,783 | \$ 2,861,460 |

Summary of Nonmajor Funds

Carteret County, North Carolina

Nonmajor Special Revenue Funds

Combining Balance Sheet
June 30, 2006

| | Rescue Squad Fund | Fire District Fund | Emergency 911 Fund |
|--|-------------------------|--------------------------|--------------------------|
| Assets | | | |
| Cash and investments | \$ 122,146 | \$ 143,921 | \$ 616,746 |
| Receivables: | | | |
| Property taxes receivable | 102,254 | 148,403 | - |
| Accounts receivable | 169,428 | 261,669 | 60,795 |
| Total assets | \$ 393,828 | \$ 553,993 | \$ 677,541 |
| Liabilities and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | 249,711 | 364,308 | 48,920 |
| Deferred revenue | 102,254 | 148,403 | - |
| Total liabilities | 351,965 | 512,711 | 48,920 |
| Fund balance (deficit): | | | |
| Reserved by State statute | 169,428 | 261,669 | 60,795 |
| Unreserved: | | | |
| Designated for subsequent year's expenditures | - | - | - |
| Undesignated fund balance (deficit) | (127,565) | (220,387) | 567,826 |
| Total fund balances | 41,863 | 41,282 | 628,621 |
| Total liabilities and fund balances | \$ 393,828 | \$ 553,993 | \$ 677,541 |

| Salter Path District Fund | CDBG 2004 Scattered Site Fund | CDBG 2001 Laurel Road Fund | Totals |
|---------------------------------|--|-------------------------------------|---------------------|
| \$ 22,874 | \$ 12,500 | \$ 5,360 | \$ 923,547 |
| - | - | - | 250,657 |
| 2,177 | - | - | 494,069 |
| <u>\$ 25,051</u> | <u>\$ 12,500</u> | <u>\$ 5,360</u> | <u>\$ 1,668,273</u> |
| - | - | - | 662,939 |
| - | - | - | 250,657 |
| - | - | - | <u>913,596</u> |
| 2,177 | - | - | 494,069 |
| - | 12,500 | 5,360 | 17,860 |
| 22,874 | - | - | 242,748 |
| <u>25,051</u> | <u>12,500</u> | <u>5,360</u> | <u>754,677</u> |
| <u>\$ 25,051</u> | <u>\$ 12,500</u> | <u>\$ 5,360</u> | <u>\$ 1,668,273</u> |

Carteret County, North Carolina

Nonmajor Special Revenue Funds

Combining Statement of Revenue, Expenditures and Changes in Fund Balances (Deficit)
Year Ended June 30, 2006

| | Rescue Squad Fund | Fire District Fund | Emergency 911 Fund |
|---|-------------------------|--------------------------|--------------------------|
| Revenue | | | |
| Ad valorem taxes | \$ 1,652,866 | \$ 2,527,530 | \$ - |
| Other taxes and licenses | 649,282 | 1,002,700 | 568,819 |
| Intergovernmental | - | - | - |
| Interest | - | 6,880 | 16,599 |
| Total revenue | 2,302,148 | 3,537,110 | 585,418 |
| Expenditures | | | |
| Public safety | 2,302,162 | 3,529,388 | 421,570 |
| Economic and physical development | - | - | - |
| Total expenditures | 2,302,162 | 3,529,388 | 421,570 |
| Revenue over (under) expenditures | (14) | 7,722 | 163,848 |
| Other financing sources | | | |
| Transfers in | - | 1,000 | - |
| Total other financing sources | - | 1,000 | - |
| Revenue and other financing sources over (under) expenditures and other financing uses | (14) | 8,722 | 163,848 |
| Fund balances | | | |
| Beginning | 41,877 | 32,560 | 464,773 |
| Ending | \$ 41,863 | \$ 41,282 | \$ 628,621 |

| Salter Path District Fund | CDBG 2004 Scattered Site Fund | CDBG 2001 Laurel Road Fund | Totals |
|---------------------------------|--|-------------------------------------|-------------------|
| \$ 19,393 | \$ - | \$ - | \$ 4,199,789 |
| 8,345 | - | - | 2,229,146 |
| - | 368,691 | 139,916 | 508,607 |
| 836 | - | - | 24,315 |
| <u>28,574</u> | <u>368,691</u> | <u>139,916</u> | <u>6,961,857</u> |
| - | - | - | 6,253,120 |
| 47,525 | 356,297 | 148,893 | 552,715 |
| <u>47,525</u> | <u>356,297</u> | <u>148,893</u> | <u>6,805,835</u> |
| (18,951) | 12,394 | (8,977) | 156,022 |
| 27,000 | - | - | 28,000 |
| <u>27,000</u> | <u>-</u> | <u>-</u> | <u>28,000</u> |
| 8,049 | 12,394 | (8,977) | 184,022 |
| 17,002 | 106 | 14,337 | 570,655 |
| <u>\$ 25,051</u> | <u>\$ 12,500</u> | <u>\$ 5,360</u> | <u>\$ 754,677</u> |

Nonmajor 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

Rescue Squad Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2006

| | Budget | Actual | Variance Positive (Negative) |
|--|------------------|------------------|------------------------------------|
| Revenue | | | |
| Ad valorem taxes | \$ 1,665,343 | \$ 1,652,866 | \$ (12,477) |
| Other taxes and licenses: | | | |
| Local option sales tax | 636,050 | 649,282 | 13,232 |
| Total revenue | <u>2,301,393</u> | <u>2,302,148</u> | <u>755</u> |
| Expenditures | | | |
| Public safety: | | | |
| Beaufort | 460,798 | 460,761 | 37 |
| Broad and Gales Creek | 228,530 | 226,833 | 1,697 |
| Western Carteret | 381,890 | 379,875 | 2,015 |
| Sea Level | 269,633 | 269,602 | 31 |
| Mitchell Village | 140,900 | 137,773 | 3,127 |
| Otway | 164,000 | 158,013 | 5,987 |
| Mill Creek | 19,592 | 20,010 | (418) |
| Local sales tax | 636,050 | 649,295 | (13,245) |
| Total expenditures | <u>2,301,393</u> | <u>2,302,162</u> | <u>(769)</u> |
| Revenue (under) expenditures and other financing uses | <u>\$ -</u> | (14) | <u>\$ (14)</u> |
| Fund balances | | | |
| Beginning | | 41,877 | |
| Ending | | <u>\$ 41,863</u> | |

Carteret County, North Carolina

Fire District Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2006

| | Budget | Actual | Variance Positive (Negative) |
|---|------------------|------------------|------------------------------------|
| Revenue | | | |
| Ad valorem taxes | \$ 2,543,081 | \$ 2,527,530 | \$ (15,551) |
| Other taxes and licenses: | | | |
| Local option sales tax | 1,009,365 | 1,002,700 | (6,665) |
| Interest | - | 6,880 | 6,880 |
| Total revenue | <u>3,552,446</u> | <u>3,537,110</u> | <u>(15,336)</u> |
| Expenditures | | | |
| Public safety: | | | |
| Fire Districts: | | | |
| County allocations | 1,000 | 1,000 | - |
| Atlantic | 46,162 | 38,514 | 7,648 |
| Broad and Gales Creek | 125,332 | 124,720 | 612 |
| Mill Creek | 19,893 | 20,206 | (313) |
| Newport | 226,500 | 227,985 | (1,485) |
| Mitchell Village, Crab Point | 277,700 | 276,301 | 1,399 |
| Davis | 50,840 | 50,669 | 171 |
| Harlowe | 45,285 | 35,878 | 9,407 |
| Marshallberg | 91,236 | 90,803 | 433 |
| Western Carteret | 463,833 | 463,225 | 608 |
| Otway | 54,000 | 55,579 | (1,579) |
| Wildwood | 419,308 | 416,306 | 3,002 |
| Salter Path | 142,596 | 143,902 | (1,306) |
| North River | 28,973 | 25,093 | 3,880 |
| Beaufort | 252,644 | 253,146 | (502) |
| Stacy | 15,384 | 14,341 | 1,043 |
| Stella | 44,300 | 47,952 | (3,652) |
| Sea Level | 27,820 | 31,284 | (3,464) |
| Cedar Island | 25,910 | 24,762 | 1,148 |
| South River | 80,297 | 83,249 | (2,952) |
| Harkers Island | 105,068 | 104,120 | 948 |
| Local sales tax | 1,009,365 | 1,000,353 | 9,012 |
| Total expenditures | <u>3,553,446</u> | <u>3,529,388</u> | <u>24,058</u> |
| Revenue over (under) expenditures | <u>(1,000)</u> | <u>7,722</u> | <u>(8,722)</u> |
| Other financing sources | | | |
| Transfers from General Fund | 1,000 | 1,000 | - |
| Revenue over expenditures and other financing uses | <u>\$ -</u> | <u>8,722</u> | <u>\$ 8,722</u> |
| Fund balances | | | |
| Beginning | | 32,560 | |
| Ending | | <u>\$ 41,282</u> | |

Carteret County, North Carolina

Emergency 911 Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2006

| | Budget | Actual | Variance Positive (Negative) |
|--|-----------------|-------------------|------------------------------------|
| Revenue | | | |
| Other taxes and licenses: | | | |
| Emergency 911 wireless assessment | \$ - | \$ 157,728 | \$ 157,728 |
| Emergency 911 telephone assessment | 478,430 | 411,091 | (67,339) |
| Interest | 1,000 | 16,599 | 15,599 |
| Total revenue | <u>479,430</u> | <u>585,418</u> | <u>105,988</u> |
| Expenditures | | | |
| Public safety: | | | |
| Salaries and fringe benefits | 44,480 | 40,734 | 3,746 |
| Operating expenses | 224,950 | 243,242 | (18,292) |
| Contracted services | 65,000 | 45,226 | 19,774 |
| Capital outlay | 120,000 | 92,368 | 27,632 |
| Total expenditures | <u>454,430</u> | <u>421,570</u> | <u>32,860</u> |
| Revenue over expenditures | <u>25,000</u> | <u>163,848</u> | <u>138,848</u> |
| Other financing sources | | | |
| Transfer out | (25,000) | - | 25,000 |
| | <u>(25,000)</u> | <u>-</u> | <u>25,000</u> |
| Revenue and other financing sources over expenditures | <u>\$ -</u> | <u>163,848</u> | <u>\$ 163,848</u> |
| Fund balances | | | |
| Beginning | | 464,773 | |
| Ending | | <u>\$ 628,621</u> | |

Carteret County, North Carolina

Salter Path District Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2006

| | Budget | Actual | Variance Positive (Negative) |
|--|-----------------|------------------|------------------------------------|
| Revenue | | | |
| Ad valorem taxes | \$ 20,525 | \$ 19,393 | \$ (1,132) |
| Other taxes and licenses: | | | |
| Local option sales tax | - | 8,345 | 8,345 |
| Interest | - | 836 | 836 |
| Total revenue | <u>20,525</u> | <u>28,574</u> | <u>8,049</u> |
| Expenditures | | | |
| Economic and physical development: | | | |
| Contribution to Indian Beach | 47,525 | 47,525 | - |
| Total expenditures | <u>47,525</u> | <u>47,525</u> | <u>-</u> |
| | | | |
| Revenue over (under) expenditures | (27,000) | (18,951) | 8,049 |
| | | | |
| Other financing sources | | | |
| Transfer from Occupancy fund | 27,000 | 27,000 | - |
| Revenue and other financing sources over expenditures | <u>\$ -</u> | <u>8,049</u> | <u>\$ 8,049</u> |
| | | | |
| Fund balances | | | |
| Beginning | | 17,002 | |
| Ending | | <u>\$ 25,051</u> | |

Carteret County, North Carolina

2004 CDBG Scattered Site

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and the Year Ended June 30, 2006

| | Total Project Estimate | Actual | | |
|------------------------------------|------------------------------|----------------|-----------------|------------------|
| | | Prior Years | Current Year | Total to Date |
| Revenue | | | | |
| Intergovernmental: | | | | |
| Federal and State Grants | \$ 400,000 | \$ 43,070 | \$ 356,857 | \$ 399,927 |
| Recipient Match | - | - | 11,834 | 11,834 |
| Total | 400,000 | 43,070 | 368,691 | 411,761 |
| Expenditures | | | | |
| Economic and Physical Development: | | | | |
| C - 1 Clearance | 9,300 | - | 10,285 | 10,285 |
| C - 1 Relocation | 180,700 | 34,807 | 156,759 | 191,566 |
| C - 1 Rehabilitation | 197,000 | 7,258 | 177,263 | 184,521 |
| C - 1 Administration | 13,000 | 899 | 11,990 | 12,889 |
| Total | 400,000 | 42,964 | 356,297 | 399,261 |
| Revenues over expenditures | \$ - | \$ 106 | 12,394 | \$ 12,500 |
| Fund balances | | | | |
| Beginning | | | 106 | |
| Ending | | | \$ 12,500 | |

Carteret County, North Carolina

CDBG 2001 Laurel Road Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and the Year Ended June 30, 2006

| | Total Project Estimate | Actual | | |
|--|------------------------------|------------------|-----------------|------------------|
| | | Prior Years | Current Year | Total to Date |
| Revenue | | | | |
| Intergovernmental: | | | | |
| Community Development Block Grant | \$ 934,000 | \$ 558,568 | \$ 103,583 | \$ 662,151 |
| Recipient Match | - | - | 36,333 | 36,333 |
| Total | 934,000 | 558,568 | 139,916 | 698,484 |
| Expenditures | | | | |
| Economic and Physical Development: | | | | |
| Clearance | 56,800 | 15,185 | 10,250 | 25,435 |
| Acquisition | 12,200 | 9,542 | - | 9,542 |
| Relocation | 568,600 | 499,887 | 122,282 | 622,169 |
| Rehabilitation | 162,000 | 3,885 | 10,357 | 14,242 |
| Administration | 74,000 | 59,498 | 6,004 | 65,502 |
| Water improvements | 105,000 | 1,234 | - | 1,234 |
| Total | 978,600 | 589,231 | 148,893 | 738,124 |
| Revenue over expenditures | (44,600) | (30,663) | (8,977) | (39,640) |
| Other financing sources | | | | |
| Transfer from general fund | 45,000 | 45,000 | - | 45,000 |
| Revenue and other financing sources over (under) expenditures | \$ 400 | \$ 14,337 | (8,977) | \$ 5,360 |
| Fund balances | | | | |
| Beginning | | | 14,337 | |
| Ending | | | <u>\$ 5,360</u> | |

Nonmajor 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

Nonmajor Capital Projects Fund

Combining Balance Sheet
June 30, 2006

| | County Capital Reserve Fund | County Capital Improvements Fund | School Special Projects Fund | Carteret Community College Fund | Totals |
|--|--------------------------------------|---|---------------------------------------|--|---------------------|
| Assets | | | | | |
| Cash and investments | \$ 509,255 | \$ 268,748 | \$ 1,439,123 | \$ 49,168 | \$ 2,266,294 |
| Total assets | \$ 509,255 | \$ 268,748 | \$ 1,439,123 | \$ 49,168 | \$ 2,266,294 |
| Liabilities and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities | \$ - | \$ - | \$ 159,511 | \$ - | \$ 159,511 |
| Total liabilities | - | - | 159,511 | - | 159,511 |
| Fund balances: | | | | | |
| Unreserved: | | | | | |
| Designated for subsequent year's expenditures | - | 489,000 | 150,000 | 49,168 | 688,168 |
| Undesignated | 509,255 | (220,252) | 1,129,612 | - | 1,418,615 |
| Total fund balances | 509,255 | 268,748 | 1,279,612 | 49,168 | 2,106,783 |
| Total liabilities and fund balances | \$ 509,255 | \$ 268,748 | \$ 1,439,123 | \$ 49,168 | \$ 2,266,294 |

Carteret County, North Carolina

Nonmajor Capital Projects Fund

Combining Statement of Revenue, Expenditures and Changes in Fund Balances
Year Ended June 30, 2006

| | County Capital Reserve Fund | County Capital Improvements Fund | School Special Projects Fund |
|---|--------------------------------------|---|---------------------------------------|
| Revenue | | | |
| Intergovernmental | \$ - | \$ 218,307 | \$ - |
| Interest | 14,872 | 15,744 | 24,956 |
| Total revenue | 14,872 | 234,051 | 24,956 |
| Expenditures | | | |
| Capital outlay | - | 1,490,541 | 1,959,191 |
| Revenue over (under) expenditures | 14,872 | (1,256,490) | (1,934,235) |
| Other Financing Sources (Uses) | | | |
| Transfers in | - | 321,428 | 2,892,691 |
| Transfers out | - | - | - |
| Total other financing sources (uses) | - | 321,428 | 2,892,691 |
| Revenue and other financing sources over (under) expenditures and other financing uses | 14,872 | (935,062) | 958,456 |
| Fund balances | | | |
| Beginning | 494,383 | 1,203,810 | 321,156 |
| Ending | \$ 509,255 | \$ 268,748 | \$ 1,279,612 |

Carteret
Community
College
Fund

Totals

| | | | |
|----|-------|----|---------|
| \$ | - | \$ | 218,307 |
| | 5,167 | | 60,739 |
| | 5,167 | | 279,046 |

| | | | |
|--|-------|--|-------------|
| | - | | 3,449,732 |
| | 5,167 | | (3,170,686) |

| | | | |
|--|-----------|--|-----------|
| | - | | 3,214,119 |
| | (116,199) | | (116,199) |
| | (116,199) | | 3,097,920 |

(111,032) (72,766)

| | | | |
|----|---------|----|-----------|
| | 160,200 | | 2,179,549 |
| \$ | 49,168 | \$ | 2,106,783 |

Carteret County, North Carolina

County Capital Reserve Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2006

| | Budget | Actual | Variance Positive |
|----------------------|-------------|-------------------|----------------------|
| Revenue | | | |
| Interest | \$ - | \$ 14,872 | \$ 14,872 |
| | <u>\$ -</u> | <u>14,872</u> | <u>\$ 14,872</u> |
| Fund balances | | | |
| Beginning | | 494,383 | |
| Ending | | <u>\$ 509,255</u> | |

Carteret County, North Carolina

County Capital Improvements Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2006

| | Budget | Actual | Variance Positive (Negative) |
|--|--------------------|--------------------|------------------------------------|
| Revenue | | | |
| Intergovernmental | \$ 75,294 | \$ 218,307 | \$ 143,013 |
| Interest | - | 15,744 | 15,744 |
| Total revenues | <u>75,294</u> | <u>234,051</u> | <u>158,757</u> |
| Expenditures | | | |
| Capital outlay: | | | |
| Courthouse/Admin renovations | 1,470,488 | 1,415,247 | 55,241 |
| Sheriff equipment console | 75,294 | 75,294 | - |
| Total expenditures | <u>1,545,782</u> | <u>1,490,541</u> | <u>55,241</u> |
| Revenues over (under) expenditures | <u>(1,470,488)</u> | <u>(1,256,490)</u> | <u>213,998</u> |
| Other financing sources | | | |
| Transfer in from General Fund | 321,428 | 321,428 | - |
| Fund Balance Appropriated | 1,149,060 | - | (1,149,060) |
| Total other financing sources | <u>1,470,488</u> | <u>321,428</u> | <u>(1,149,060)</u> |
| Revenue and other financing sources over (under) expenditures | <u>\$ -</u> | <u>(935,062)</u> | <u>\$ (935,062)</u> |
| Fund balances | | | |
| Beginning | | 1,203,810 | |
| Ending | | <u>\$ 268,748</u> | |

Carteret County, North Carolina

School Special Projects Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2006

| | Budget | Actual | Variance Positive (Negative) |
|--|-------------|--------------|------------------------------------|
| Revenue | | | |
| Interest | \$ - | \$ 24,956 | \$ 24,956 |
| Expenditures | | | |
| Capital outlay, Board of Education | 3,204,675 | 1,959,191 | 1,245,484 |
| Revenues (under) expenditures | (3,204,675) | (1,934,235) | (1,270,440) |
| Other financing sources | | | |
| Transfer from General Fund | 2,892,691 | 2,892,691 | - |
| Fund Balance Appropriated | 311,984 | - | (311,984) |
| | 3,204,675 | 2,892,691 | (311,984) |
| Revenue and other financing sources over expenditures | \$ - | 958,456 | \$ 958,456 |
| Fund balances | | | |
| Beginning | | 321,156 | |
| Ending | | \$ 1,279,612 | |

Carteret County, North Carolina

Carteret Community College Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2006

| | Total Project Estimate | Actual | | |
|--|------------------------------|----------------|-----------------|------------------|
| | | Prior Years | Current Year | Total to Date |
| Revenue | | | | |
| Interest | \$ - | \$ 97,064 | \$ 5,167 | \$ 102,231 |
| Expenditures | | | | |
| Capital outlay: | | | | |
| Carteret Community College construction | 7,600,000 | 7,536,864 | - | 7,536,864 |
| Revenue over (under) expenditures | (7,600,000) | (7,439,800) | 5,167 | (7,434,633) |
| Other financing sources (uses) | | | | |
| Long-term debt issued | 7,600,000 | 7,600,000 | - | 7,600,000 |
| Transfer to General Fund | - | - | (116,199) | (116,199) |
| | 7,600,000 | 7,600,000 | (116,199) | 7,483,801 |
| Revenue and other financing sources over (under) expenditures | \$ - | \$ 160,200 | (111,032) | \$ 49,168 |
| Fund balances | | | | |
| Beginning | | | 160,200 | |
| Ending | | | \$ 49,168 | |

Enterprise Fund

Carteret County, North Carolina

Water Operating Fund

Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)
Year Ended June 30, 2006

| | Budget | Actual | Variance Positive (Negative) |
|--|------------------|-------------------|------------------------------------|
| Revenue, Operating | | | |
| Charges for services | \$ 421,200 | \$ 361,888 | \$ (59,312) |
| Total operating revenues | <u>421,200</u> | <u>361,888</u> | <u>(59,312)</u> |
| Expenditures, Operating | | | |
| Cost of sales and services: | | | |
| Salaries and benefits | 154,400 | 149,345 | 5,055 |
| Operating expense | 141,770 | 131,802 | 9,968 |
| Contracted services | 30,100 | 27,193 | 2,907 |
| Total operating expenditures | <u>326,270</u> | <u>308,340</u> | <u>17,930</u> |
| Operating revenue under operating expenditures | <u>94,930</u> | <u>53,548</u> | <u>(41,382)</u> |
| Nonoperating Revenue (Expenditures) | | | |
| Interest earnings | 1,500 | 8,924 | 7,424 |
| Revolving loan interest | (122,820) | (94,515) | 28,305 |
| Principal payments | (171,050) | (37,425) | 133,625 |
| Capital outlay | (13,500) | (13,417) | 83 |
| Total nonoperating revenue (expenditures) | <u>(305,870)</u> | <u>(136,433)</u> | <u>169,437</u> |
| Revenue (deficiency) over expenditures | <u>(210,940)</u> | <u>(82,885)</u> | <u>128,055</u> |
| Other Financing Sources | | | |
| Transfer from the General Fund | 210,940 | 210,940 | - |
| Total other financing sources | <u>210,940</u> | <u>210,940</u> | <u>-</u> |
| Revenue and other sources over expenditures | <u>\$ -</u> | <u>\$ 128,055</u> | <u>\$ 128,055</u> |
| Reconciliation of modified accrual basis to full accrual basis: | | | |
| Revenue and other financing uses over expenditures | | \$ 128,055 | |
| Depreciation | | (204,628) | |
| Principal on debt | | 37,425 | |
| Capital outlay | | 13,417 | |
| Contributed capital | | 56,084 | |
| Change in net assets, full accrual basis | | <u>\$ 30,353</u> | |

Carteret County, North Carolina

Highway 101 Phase II Water Project Fund

Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2006

| | Total Project Estimate | Actual | | |
|--|------------------------------|---------------------|--------------------|--------------------|
| | | Prior Years | Current Year | Total to Date |
| Revenue | | | | |
| Intergovernmental: | | | | |
| Tap fees | \$ 63,750 | \$ 925 | \$ - | \$ 925 |
| Sales tax refund | 60,000 | - | 56,084 | 56,084 |
| | <u>123,750</u> | <u>925</u> | <u>56,084</u> | <u>57,009</u> |
| Expenditures | | | | |
| Capital outlay | 2,923,750 | 2,647,736 | 258,940 | 2,906,676 |
| Revenue (under) expenditures | <u>(2,800,000)</u> | <u>(2,646,811)</u> | <u>(202,856)</u> | <u>(2,849,667)</u> |
| Other financing sources | | | | |
| Drinking Water State Revolving Loan | 2,800,000 | 2,421,727 | 378,273 | 2,800,000 |
| Revenue and other financing sources over (under) expenditures | <u>\$ -</u> | <u>\$ (225,084)</u> | <u>175,417</u> | <u>\$ (49,667)</u> |
| Fund deficit | | | | |
| Beginning | | | <u>(225,084)</u> | |
| Ending | | | <u>\$ (49,667)</u> | |

Agency Funds

Carteret County, North Carolina

Agency Funds

Combining Balance Sheet
June 30, 2006

| | Sheriff's Department Fund | Social Services Trust Fund | Motor Vehicle Agency | Totals |
|--|---------------------------------|----------------------------------|----------------------------|-----------|
| <hr/> | | | | |
| Assets | | | | |
| Cash | \$ 24,453 | \$ 24,088 | \$ 1,582 | \$ 50,123 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | \$ 24,453 | \$ 24,088 | \$ 1,582 | \$ 50,123 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Carteret County, North Carolina

Agency Funds

Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2006

| | Balance July 1, 2005 | Additions | Deletions | Balance June 30, 2006 |
|--|----------------------------|------------|------------|-----------------------------|
| Sheriff's Department Fund: | | | | |
| Assets, cash | \$ 21,722 | \$ 473,565 | \$ 470,834 | \$ 24,453 |
| Liabilities | \$ 21,722 | \$ 473,565 | \$ 470,834 | \$ 24,453 |
| Social Services Trust Fund: | | | | |
| Assets, cash | \$ 29,274 | \$ 168,572 | \$ 173,758 | \$ 24,088 |
| Liabilities | \$ 29,274 | \$ 168,572 | \$ 173,758 | \$ 24,088 |
| Motor Vehicle Agency: | | | | |
| Assets, cash | \$ - | \$ 5,735 | \$ 4,153 | \$ 1,582 |
| Liabilities | \$ - | \$ 5,735 | \$ 4,153 | \$ 1,582 |
| Totals - All Agency Funds: | | | | |
| Assets, cash | \$ 50,996 | \$ 647,872 | \$ 648,745 | \$ 50,123 |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 50,996 | \$ 647,872 | \$ 648,745 | \$ 50,123 |

Governmental Funds Capital Assets

Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Comparative Schedules by Source
June 30, 2006

| | 2006 | 2005 |
|--|-----------------------------|-----------------------------|
| Governmental funds capital assets: | | |
| Land, airport | \$ 169,549 | \$ 169,549 |
| Land, other | 3,708,724 | 3,567,330 |
| Construction in progress | 281,170 | 266,565 |
| Buildings | 27,229,668 | 27,229,668 |
| Vehicles | 3,580,871 | 3,129,963 |
| Equipment | 3,800,715 | 3,284,113 |
| Airport facilities | 1,524,747 | 1,524,747 |
| Other improvements | 5,644,538 | 4,028,685 |
| Total governmental funds capital assets | <u>\$ 45,939,982</u> | <u>\$ 43,200,620</u> |
| Investment in governmental funds capital assets | | |
| General Fund | \$ 45,658,812 | \$ 42,934,055 |
| Capital Project Funds | 281,170 | 266,565 |
| Total investment in governmental funds capital assets | <u>\$ 45,939,982</u> | <u>\$ 43,200,620</u> |

Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity
June 30, 2006

| Function and Activity | Land | Buildings | Vehicles | Equipment | Airport Facilities | Other Improvements | Construction in Progress | Total |
|--|---------------------|----------------------|---------------------|---------------------|-----------------------|-----------------------|-----------------------------|----------------------|
| General Government: | | | | | | | | |
| County Administration | \$ - | \$ - | \$ - | \$ 18,880 | \$ - | \$ - | \$ - | \$ 18,880 |
| Tax Administration | - | - | 82,813 | 272,345 | - | - | - | 355,158 |
| Register of Deeds | - | 17,665 | - | 113,290 | - | 16,000 | - | 146,955 |
| Elections | - | - | - | 505,242 | - | - | - | 505,242 |
| Information Technology | - | - | - | 678,550 | - | - | - | 678,550 |
| Public Buildings | 1,387,328 | 7,515,292 | 231,339 | 11,835 | - | 2,054,285 | - | 11,200,079 |
| Other | - | - | - | 22,259 | - | - | - | 22,259 |
| Total General Government | 1,387,328 | 7,532,957 | 314,152 | 1,622,401 | - | 2,070,285 | - | 12,927,123 |
| Public Safety: | | | | | | | | |
| Law Enforcement | - | 8,614,309 | 1,044,257 | 392,107 | - | 339,901 | 281,170 | 10,671,744 |
| Emergency Services | - | 16,850 | 322,818 | 1,355,233 | - | - | - | 1,694,901 |
| Total Public Safety | - | 8,631,159 | 1,367,075 | 1,747,340 | - | 339,901 | 281,170 | 12,366,645 |
| Transportation | 169,549 | - | 646,330 | - | 1,524,747 | 131,534 | - | 2,472,160 |
| Environmental Protection | 153,875 | - | 214,816 | 129,160 | - | - | - | 497,851 |
| Economic and Physical Development | 125,606 | - | 125,043 | 16,912 | - | - | - | 267,561 |
| Human Services | 346,775 | 7,313,236 | 713,768 | 86,343 | - | - | - | 8,460,122 |
| Culture and Recreation | 1,695,140 | 3,752,316 | 199,687 | 198,559 | - | 3,102,818 | - | 8,948,520 |
| Total governmental funds capital assets | \$ 3,878,273 | \$ 27,229,668 | \$ 3,580,871 | \$ 3,800,715 | \$ 1,524,747 | \$ 5,644,538 | \$ 281,170 | \$ 45,939,982 |

Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes by Function and Activity
Year Ended June 30, 2006

| Function and Activity | Governmental Funds | | | | Governmental |
|--|---------------------------------|---------------------|-------------------|---------------------|--|
| | Capital Assets June 30, 2005 | Additions | Deductions | Transfers | Funds Capital Assets June 30, 2006 |
| General Government: | | | | | |
| County administration | \$ 18,880 | \$ - | \$ - | \$ - | \$ 18,880 |
| Tax administration | 341,493 | 13,665 | - | - | 355,158 |
| Register of Deeds | 146,955 | - | - | - | 146,955 |
| Elections | 316,175 | 475,462 | 286,395 | - | 505,242 |
| Information technology | 697,218 | - | 18,668 | - | 678,550 |
| Public buildings | 11,363,586 | 1,764,627 | 7,380 | (1,920,754) | 11,200,079 |
| Other | 22,259 | - | - | - | 22,259 |
| Total General Government | 12,906,566 | 2,253,754 | 312,443 | (1,920,754) | 12,927,123 |
| Public Safety: | | | | | |
| Law enforcement | 10,292,977 | 645,639 | 77,431 | (189,441) | 10,671,744 |
| Emergency services | 1,450,096 | 196,519 | 19,996 | 68,282 | 1,694,901 |
| Total Public Safety | 11,743,073 | 842,158 | 97,427 | (121,159) | 12,366,645 |
| Transportation | 2,373,515 | 163,175 | - | (64,530) | 2,472,160 |
| Environmental protection | 232,142 | 90,910 | - | 174,799 | 497,851 |
| Economic and physical development | 230,417 | - | - | 37,144 | 267,561 |
| Human services | 7,120,381 | 43,800 | - | 1,295,941 | 8,460,122 |
| Culture and recreation | 8,594,526 | 22,000 | - | 331,994 | 8,948,520 |
| Total governmental funds capital assets | \$ 43,200,620 | \$ 3,415,797 | \$ 409,870 | \$ (266,565) | \$ 45,939,982 |

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, 2006

| Fiscal Year | Uncollected Balance June 30, 2005 | Additions | Collections | Adjustments | Uncollected Balance June 30, 2006 |
|---|--|----------------------|----------------------|-------------------|--|
| 2005-2006 | \$ - | \$ 34,299,028 | \$ 33,517,698 | \$ 98,139 | \$ 879,469 |
| 2004-2005 | 981,173 | - | 678,252 | 24,549 | 327,470 |
| 2003-2004 | 325,166 | - | 133,950 | 14,957 | 206,173 |
| 2002-2003 | 233,467 | - | 77,892 | 2,900 | 158,475 |
| 2001-2002 | 178,737 | - | 34,118 | (1,205) | 143,414 |
| 2000-2001 | 239,317 | - | 19,356 | (6,289) | 213,672 |
| 1999-2000 | 61,245 | - | 11,993 | (3,349) | 45,903 |
| 1998-1999 | 29,827 | - | 5,900 | (2,310) | 21,617 |
| 1997-1998 | 35,297 | - | 5,937 | (1,918) | 27,442 |
| 1996-1997 | 23,835 | - | 4,160 | (1,070) | 18,605 |
| 1995-1996 | 28,080 | - | 4,556 | - | 23,524 |
| | <u>\$ 2,136,144</u> | <u>\$ 34,299,028</u> | <u>\$ 34,493,812</u> | <u>\$ 124,404</u> | <u>2,065,764</u> |
| Less write-off 1995-1996 tax year | | | | | <u>23,524</u> |
| | | | | | 2,042,240 |
| Less allowance for uncollectible ad valorem taxes receivable | | | | | 603,227 |
| Net property taxes receivable - General Fund | | | | | <u>\$ 1,439,013</u> |
| Reconciliation with revenue: Ad valorem taxes- General Fund | | | | | <u>\$ 34,493,812</u> |

Carteret County, North Carolina

Analysis of Current Year's Tax Levy
Year Ended June 30, 2006

| | 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 | \$ 7,984,049,655 | 0.42 | \$ 33,533,008 | \$ 31,908,499 | \$ 1,624,509 |
| Motor vehicles taxes at prior year's rate | 182,385,510 | 0.42 | 766,019 | - | 766,019 |
| Total | 8,166,435,165 | | 34,299,027 | 31,908,499 | 2,390,528 |
| Discoveries: | | | | | |
| Current year taxes | 30,928,795 | | 129,901 | 129,338 | 563 |
| Corrections | 40,616,764 | | 170,590 | 180,750 | (10,160) |
| Total | 71,545,559 | | 300,491 | 310,088 | (9,597) |
| Abatements | (48,179,048) | | (202,352) | (138,209) | (64,143) |
| Total property valuation | \$ 8,189,801,676 | | | | |
| Net levy-General Fund | | | 34,397,167 | 32,080,378 | 2,316,788 |
| Uncollected taxes at June 30, 2006 - General Fund | | | 879,469 | 532,841 | 346,628 |
| Current year's taxes collected - General Fund | | | \$ 33,517,698 | \$ 31,547,537 | \$ 1,970,160 |
| Current levy collection percentage - General Fund | | | 97.44% | 98.34% | 85.04% |

Statistical Section

Net Assets by Component,
Last Four Fiscal Years
(accrual basis of accounting)

| | Fiscal Year | | | |
|---|-----------------------|-----------------------|---------------------|----------------------|
| | 2003 | 2004 | 2005 | 2006 |
| Governmental activities | | | | |
| Invested in capital assets, net of related debt | \$ 18,490,399 | \$ 22,154,331 | \$ 21,956,051 | \$ 23,399,525 |
| Restricted | 1,904,375 | 2,568,301 | 3,437,892 | 4,154,799 |
| Unrestricted | (23,228,517) | (29,121,252) | (21,493,929) | (13,945,342) |
| Total governmental activities net assets | \$ (2,833,743) | \$ (4,398,620) | \$ 3,900,014 | \$ 13,608,982 |
| Business-type activities | | | | |
| Invested in capital assets, net of related debt | \$ 4,033,446 | \$ 4,392,900 | \$ 3,903,915 | \$ 3,630,795 |
| Unrestricted | (11,676) | (519,099) | (110,733) | 192,739 |
| Total business-type activities | \$ 4,021,770 | \$ 3,873,801 | \$ 3,793,182 | \$ 3,823,534 |
| Primary government | | | | |
| Invested in capital assets, net of related debt | \$ 22,523,845 | \$ 26,547,231 | \$ 25,859,966 | \$ 27,030,320 |
| Restricted | 1,904,375 | 2,568,301 | 3,437,892 | 4,154,799 |
| Unrestricted | (23,240,193) | (29,640,351) | (21,604,662) | (13,752,603) |
| Total primary government net assets | \$ 1,188,027 | \$ (524,819) | \$ 7,693,196 | \$ 17,432,516 |

Note: Accrual-basis financial information for the county government as a whole is available back to 2003 only, the year GASB Statement 34 was implemented.

Changes in Net Assets,
Last Four Fiscal Years
(accrual basis of accounting)

| | Fiscal Year | | | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 2003 | 2004 | 2005 | 2006 |
| Expenses | | | | |
| Governmental activities: | | | | |
| General government | \$ 4,734,358 | \$ 3,700,481 | \$ 4,759,100 | \$ 4,996,540 |
| Public safety | 11,051,063 | 11,636,799 | 12,715,313 | 13,459,003 |
| Transportation | 641,203 | 669,794 | 690,254 | 710,225 |
| Economic and physical development | 3,861,247 | 4,271,109 | 6,274,478 | 5,571,720 |
| Environmental protection | 2,443,323 | 2,964,017 | 2,565,112 | 3,362,113 |
| Human Services | 13,651,297 | 14,105,489 | 14,295,871 | 14,971,013 |
| Cultural and recreation | 2,056,136 | 4,260,435 | 2,461,256 | 2,910,221 |
| Education | 23,378,135 | 27,615,077 | 21,085,306 | 21,224,743 |
| Interest on long term debt | 2,415,433 | 3,153,395 | 2,373,932 | 2,281,034 |
| Total governmental activities | 64,232,195 | 72,376,596 | 67,220,622 | 69,486,612 |
| Business-type activities: | | | | |
| Water | 145,753 | 394,360 | 420,599 | 607,483 |
| Total primary government expenses | \$ 64,377,948 | \$ 72,770,956 | \$ 67,641,221 | \$ 70,094,095 |

(Continued)

Changes in Net Assets,
Last Four Fiscal Years (Continued)
(accrual basis of accounting)

| | Fiscal Year | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2003 | 2004 | 2005 | 2006 |
| Program Revenues | | | | |
| Governmental activities | | | | |
| Charges for services: | | | | |
| General government | \$ 1,421,229 | \$ 1,753,299 | \$ 2,480,824 | \$ 3,328,301 |
| Public safety | 588,953 | 1,017,748 | 314,680 | 227,728 |
| Transportation | 88,588 | 86,426 | 74,164 | 86,527 |
| Economic and physical development | 6,559 | 9,323 | 659,399 | 832,350 |
| Environmental protection | 1,257,955 | 1,279,272 | 1,305,582 | 2,136,283 |
| Human services | 307,258 | 476,032 | 417,154 | 557,621 |
| Cultural and recreation | 220,637 | 181,048 | 220,576 | 238,638 |
| Interest on long term debt | 33,874 | - | - | - |
| Operating grants and contributions: | | | | |
| General government | - | - | 436,969 | 234,518 |
| Public safety | 641,546 | 429,368 | 644,075 | 795,183 |
| Transportation | 93,805 | 181,118 | 154,036 | 268,667 |
| Economic and physical development | 200,055 | 144,564 | 1,966,971 | 256,175 |
| Environmental protection | 102,789 | 752,852 | 52,000 | 573,220 |
| Human services | 6,548,733 | 6,617,017 | 7,115,185 | 6,975,699 |
| Cultural and recreation | - | 25,893 | 17,675 | - |
| Education | 131,162 | 416,606 | 470,259 | 506,611 |
| Capital grants and contributions: | | | | |
| Public safety | - | - | - | 191,221 |
| Transportation | 81,000 | 96,365 | - | 143,313 |
| Economic and physical development | 194,622 | 2,203,754 | - | 508,607 |
| Human services | 9,796 | - | - | - |
| Cultural and recreation | (6,528) | - | - | 48,641 |
| Total governmental activities program revenues | 11,922,033 | 15,670,685 | 16,329,549 | 17,909,303 |

(Continued)

Changes in Net Assets,
Last Four Fiscal Years (Continued)
(accrual basis of accounting)

| | Fiscal Year | | | |
|---|------------------------|------------------------|------------------------|------------------------|
| | 2003 | 2004 | 2005 | 2006 |
| Business-type activities: | | | | |
| Charge for services - Water | 58,254 | 147,314 | 264,634 | 361,888 |
| Operating Grants and Contributions | - | 28,476 | - | - |
| Capital grants and contributions - Water | 1,686,890 | - | 925 | - |
| Total business-type activities program revenues | 1,745,144 | 175,790 | 265,559 | 361,888 |
| Total primary government program revenues | \$ 13,667,177 | \$ 15,846,475 | \$ 16,595,108 | \$ 18,271,191 |
| Governmental activities | \$ (52,310,162) | \$ (56,705,911) | \$ (50,891,073) | \$ (51,577,309) |
| Business-type activities | 1,599,391 | (218,570) | (155,040) | (245,595) |
| Total primary government net (expense)/revenue | \$ (50,710,771) | \$ (56,924,481) | \$ (51,046,113) | \$ (51,822,904) |
| General Revenues and Other Changes in Net Assets | | | | |
| Governmental activities: | | | | |
| Property taxes | \$ 34,170,397 | \$ 36,025,572 | \$ 37,240,867 | \$ 38,994,213 |
| Local option sales tax | 10,824,267 | 13,105,353 | 14,334,170 | 14,303,322 |
| Other taxes and licenses | 4,609,531 | 3,862,177 | 4,494,502 | 6,730,679 |
| Intergovernmental | 401,097 | 503,661 | 155,208 | 164,954 |
| Investment earnings | 447,847 | 266,890 | 612,987 | 1,302,511 |
| Miscellaneous | 457,850 | 311,959 | 2,422,594 | 1,538 |
| Transfers | (48,000) | (70,000) | (70,621) | (210,940) |
| Total governmental activities | 50,862,989 | 54,005,612 | 59,189,707 | 61,286,277 |
| Business-type activities: | | | | |
| Investment earnings | 418 | 601 | 3,800 | 8,924 |
| Intergovernmental, unrestricted | - | - | - | 56,084 |
| Transfers | 48,000 | 70,000 | 70,621 | 210,940 |
| Total business-type activities | 48,418 | 70,601 | 74,421 | 275,948 |
| Total primary government | \$ 50,911,407 | \$ 54,076,213 | \$ 59,264,128 | \$ 61,562,225 |
| Change in Net Assets | | | | |
| Governmental activities | \$ (1,447,173) | \$ (2,700,299) | \$ 8,298,634 | \$ 9,708,968 |
| Business-type activities | 1,647,809 | (147,969) | (80,619) | 30,353 |
| Total primary government | \$ 200,636 | \$ (2,848,268) | \$ 8,218,015 | \$ 9,739,321 |

Note: Accrual-basis financial information for the county government as a whole is available back to 2003 only, the year GASB Statement 34 was implemented.

Carteret County, North Carolina

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

| | Fiscal | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 1997 | 1998 | 1999 | 2000 |
| General Fund | | | | |
| Reserved for: | | | | |
| State statute | \$ 3,013,128 | \$ 3,051,097 | \$ 3,164,347 | \$ 4,196,235 |
| Sheriff fund | 22,211 | 17,961 | 29,306 | 26,194 |
| Debt Service | 531,069 | 371,806 | 1,076,521 | 1,488,357 |
| Recreation districts | - | - | 57,520 | 72,410 |
| Health programs | 476,407 | 477,774 | 492,733 | 529,407 |
| Register of deeds | - | - | - | - |
| Beach nourishment | - | - | - | - |
| Total reserve | 4,042,815 | 3,918,638 | 4,820,427 | 6,312,603 |
| Unreserved | | | | |
| Designated for subsequent year's expenditures | 2,222,889 | 2,178,534 | 2,845,617 | 3,386,473 |
| Undesignated | 5,658,258 | 6,808,857 | 5,722,097 | 6,448,978 |
| Total General Fund | \$ 11,923,962 | \$ 12,906,029 | \$ 13,388,141 | \$ 16,148,054 |
| All Other Governmental Funds | | | | |
| Reserved for: | | | | |
| State statute | \$ 215,814 | \$ 210,498 | \$ 624,302 | \$ 368,134 |
| Debt service | 974,238 | 979,612 | 979,612 | - |
| Total reserved | 1,190,052 | 1,190,110 | 1,603,914 | 368,134 |
| Unreserved | | | | |
| Designated for subsequent year's expenditures | 18,243,829 | 7,564,524 | 4,276,974 | 12,702,244 |
| Undesignated special revenue funds | 3,395,506 | 2,634,589 | 1,260,382 | 65,208 |
| Undesignated capital projects funds | 48,011 | 2,966 | 609,134 | 2,032,295 |
| Total all other governmental funds | \$ 22,877,398 | \$ 11,392,189 | \$ 7,750,404 | \$ 15,167,881 |

Schedule 3

| Year | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|------|------------|---------------|---------------|---------------|---------------|---------------|
| \$ | 3,943,495 | \$ 4,029,812 | \$ 3,597,460 | \$ 4,559,818 | \$ 5,407,652 | \$ 5,245,544 |
| | 82,081 | 53,256 | 37,620 | 35,085 | 49,755 | 24,161 |
| | 1,079,234 | 1,090,339 | 107,643 | - | - | - |
| | 51,368 | 56,317 | 58,047 | 61,462 | 62,739 | 55,053 |
| | 450,339 | 546,735 | 572,992 | 863,342 | 934,948 | 1,081,508 |
| | - | 32,248 | 132,889 | 167,528 | 113,478 | 190,045 |
| | - | 319,080 | 502,684 | 890,063 | 1,340,869 | 2,040,923 |
| | 5,606,517 | 6,127,787 | 5,009,335 | 6,577,298 | 7,909,441 | 8,637,234 |
| | 373,393 | 150,000 | 659,590 | 694,536 | 1,230,000 | 825,000 |
| | 6,196,087 | 7,731,989 | 9,809,415 | 12,054,667 | 14,115,874 | 18,814,243 |
| \$ | 12,175,997 | \$ 14,009,776 | \$ 15,478,340 | \$ 19,326,501 | \$ 23,255,315 | \$ 28,276,477 |
| \$ | 323,989 | \$ 1,472,683 | \$ 952,829 | \$ 1,015,324 | \$ 1,301,271 | \$ 494,069 |
| | - | - | - | - | - | - |
| | 323,989 | 1,472,683 | 952,829 | 1,015,324 | 1,301,271 | 494,069 |
| | 3,703,525 | 2,225,540 | 11,696,201 | 3,142,539 | 310,643 | 22,877,167 |
| | 129,219 | (604,463) | (551,173) | (672,314) | (740,779) | 251,180 |
| | 2,745,706 | 1,314,414 | 1,397,660 | 1,681,975 | 1,883,349 | 1,418,615 |
| \$ | 6,902,439 | \$ 4,408,174 | \$ 13,495,517 | \$ 5,167,524 | \$ 2,754,484 | \$ 25,041,031 |

Carteret County

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

| | 1997 | 1998 | 1999 | 2000 | 2001 |
|--|----------------------|------------------------|-----------------------|----------------------|------------------------|
| Revenue | | | | | |
| Taxes: | | | | | |
| Property | \$ 21,305,801 | \$ 23,830,199 | \$ 24,481,785 | \$ 29,352,572 | \$ 30,819,589 |
| Sales | 10,610,240 | 11,866,765 | 12,539,196 | 13,198,118 | 14,023,012 |
| Total taxes | 31,916,041 | 35,696,964 | 37,020,981 | 42,550,690 | 44,842,601 |
| Permits and fees | 1,165,644 | 1,291,897 | 1,331,064 | 1,245,765 | 1,423,786 |
| Intergovernmental(1) | 8,165,022 | 10,696,992 | 12,264,535 | 12,143,560 | 9,172,131 |
| Sales and services | 931,881 | 943,704 | 1,006,710 | 1,305,467 | 1,285,166 |
| Interest | 1,797,574 | 1,653,716 | 1,199,126 | 1,509,048 | 1,542,038 |
| Miscellaneous | 256,211 | 200,659 | 531,407 | 224,114 | 132,050 |
| Total revenue | 44,232,373 | 50,483,932 | 53,353,823 | 58,978,644 | 58,397,772 |
| Expenditures | | | | | |
| General government | 2,943,541 | 2,885,480 | 2,993,951 | 3,799,606 | 3,646,451 |
| Public safety | 6,448,719 | 6,840,765 | 7,579,257 | 8,095,935 | 8,734,138 |
| Transportation(1) | 96,580 | 251,923 | 118,156 | 416,441 | 482,394 |
| Environmental protection | 4,158,262 | 3,732,955 | 3,808,134 | 4,014,794 | 3,303,036 |
| Economic development(1) | 1,737,499 | 1,866,901 | 3,505,224 | 3,295,324 | 2,674,871 |
| Human services | 8,364,160 | 8,835,890 | 9,469,558 | 11,622,653 | 13,179,127 |
| Culture and recreation | 1,305,786 | 1,733,648 | 1,695,707 | 2,036,509 | 2,320,777 |
| Education | 11,294,206 | 11,485,278 | 15,099,455 | 18,897,588 | 19,679,070 |
| Capital outlay | 9,717,014 | 18,020,592 | 7,689,051 | 5,948,014 | 11,798,882 |
| Debt service: | | | | | |
| Principal | 2,377,042 | 2,884,997 | 2,958,454 | 3,073,368 | 4,113,160 |
| Interest | 2,052,912 | 2,448,645 | 2,301,549 | 2,116,022 | 2,883,365 |
| Total expenditures | 50,495,721 | 60,987,074 | 57,218,496 | 63,316,254 | 72,815,271 |
| Excess of revenues over (under) expenditures | (6,263,348) | (10,503,142) | (3,864,673) | (4,337,610) | (14,417,499) |
| Other financing sources (uses): | | | | | |
| Transfers in | 3,267,110 | 6,308,141 | 7,453,692 | 4,517,231 | 3,720,807 |
| Transfers out | (3,267,110) | (6,308,141) | (7,453,692) | (4,517,231) | (3,720,807) |
| Bond premium | - | - | - | - | - |
| Bonds issued | 21,000,000 | - | - | 14,515,000 | - |
| Refunding bonds issued | - | - | - | - | - |
| Payment to refunding escrow agent | - | - | - | - | - |
| Proceeds from installment note | - | - | 705,000 | - | 2,180,000 |
| Total other financing sources (uses) | 21,000,000 | - | 705,000 | 14,515,000 | 2,180,000 |
| Net change in fund balances | \$ 14,736,652 | \$ (10,503,142) | \$ (3,159,673) | \$ 10,177,390 | \$ (12,237,499) |
| Debt service as a percentage of noncapital expenditures | 10.86% | 12.41% | 10.62% | 9.05% | 11.47% |

Note: (1) Amounts shown above for years prior to fiscal 2003 have been restated to show transfers in/out with component units as revenue and expenditures.

Schedule 4

| | 2002 | 2003 | 2004 | 2005 | 2006 |
|----|-------------|---------------|----------------|---------------|---------------|
| \$ | 34,552,936 | \$ 34,856,263 | \$ 36,273,316 | \$ 37,171,758 | \$ 38,995,144 |
| | 15,059,252 | 15,582,901 | 17,090,746 | 18,828,672 | 21,034,001 |
| | 49,612,188 | 50,439,164 | 53,364,062 | 56,000,430 | 60,029,145 |
| | 1,602,838 | 2,111,540 | 2,618,847 | 3,093,945 | 4,164,371 |
| | 12,036,121 | 8,436,038 | 11,673,902 | 11,337,622 | 10,666,809 |
| | 1,567,251 | 1,784,053 | 1,862,663 | 1,742,529 | 2,589,990 |
| | 492,001 | 481,721 | 266,890 | 612,987 | 1,302,510 |
| | 175,399 | 308,426 | 223,359 | 379,277 | 698,189 |
| | 65,485,798 | 63,560,942 | 70,009,723 | 73,166,790 | 79,451,014 |
| | 3,290,839 | 3,331,803 | 3,438,530 | 4,190,354 | 4,898,195 |
| | 9,500,776 | 10,528,723 | 11,294,641 | 12,472,725 | 13,422,324 |
| | 437,185 | 452,826 | 579,790 | 493,593 | 736,491 |
| | 4,043,058 | 2,434,842 | 2,958,295 | 2,744,907 | 3,404,122 |
| | 2,611,691 | 3,989,727 | 4,238,767 | 4,815,319 | 5,585,495 |
| | 13,261,242 | 13,551,316 | 13,719,420 | 14,094,168 | 14,659,109 |
| | 1,988,228 | 2,029,285 | 2,007,580 | 2,240,196 | 2,548,009 |
| | 19,570,613 | 17,738,085 | 17,976,423 | 18,699,023 | 18,870,730 |
| | 8,342,872 | 7,535,298 | 12,112,063 | 5,161,345 | 3,836,951 |
| | 3,511,418 | 8,558,910 | 4,706,571 | 4,316,572 | 4,175,000 |
| | 2,588,362 | 3,020,159 | 2,659,162 | 2,352,193 | 2,161,065 |
| | 69,146,284 | 73,170,974 | 75,691,242 | 71,580,395 | 74,297,491 |
| | (3,660,486) | (9,610,032) | (5,681,519) | 1,586,395 | 5,153,523 |
| | 3,392,905 | 1,712,779 | 3,415,367 | 2,539,943 | 4,477,917 |
| | (3,392,905) | (1,760,779) | (3,485,367) | (2,610,564) | (4,688,857) |
| | - | - | - | - | 365,126 |
| | - | 20,248,383 | - | - | 22,000,000 |
| | - | - | 21,215,898 | - | - |
| | - | - | (21,079,633) | - | - |
| | 3,000,000 | - | - | - | - |
| | 3,000,000 | 20,200,383 | 66,265 | (70,621) | 22,154,186 |
| \$ | (660,486) | \$ 10,590,351 | \$ (5,615,254) | \$ 1,515,774 | \$ 27,307,709 |
| | 10.03% | 17.64% | 11.59% | 10.04% | 8.99% |

Carteret County, North Carolina

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

| Fiscal Year Ended June 30 | Real Property | | | | Total | Personal Property |
|------------------------------|-------------------------|------------------------|------------------------|-------------------------|----------------------|----------------------|
| | Residential Property | Commercial Property | Industrial Property | Present-use Value(1) | | |
| 1997 | \$ 2,780,431,444 | \$ 426,554,368 | \$ 13,255,949 | \$ 12,979,545 | \$ 3,233,223,303 | \$ 467,568,251 |
| 1998 ⁽⁶⁾ | 3,974,097,433 | 583,849,507 | 33,546,161 | 19,682,924 | 4,611,176,025 | 544,308,312 |
| 1999 ⁽⁵⁾ | 4,829,925,832 | - | - | - | 4,829,925,832 | 449,038,101 |
| 2000 | 4,245,427,956 | 553,260,582 | 17,728,361 | 24,262,381 | 4,840,679,280 | 591,147,538 |
| 2001 ⁽⁵⁾ | 4,914,232,566 | - | - | 37,249,571 | 4,951,482,137 | 692,891,457 |
| 2002 ⁽¹⁾ | 5,667,461,118 | 677,024,872 | 10,537,143 | 45,543,709 | 6,400,566,842 | 687,404,277 |
| 2003 | 5,778,763,348 | 702,452,708 | 11,382,044 | 45,411,773 | 6,538,009,873 | 731,270,275 |
| 2004 ⁽⁶⁾ | 6,842,280,986 | - | - | - | 6,842,280,986 | 711,166,262 |
| 2005 | 6,295,378,065 | 669,099,255 | 12,308,209 | 41,848,004 | 7,018,633,533 | 747,563,922 |
| 2006 | 6,414,514,407 | 712,215,743 | 22,227,041 | 40,978,359 | 7,189,935,550 | 915,126,779 |

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 State Department of Revenue. The ratio is based on actual property sales which took place during the fiscal year. The ratio for the most recent year is not yet available.
- (5) Breakout of real property is unavailable
- (6) Revaluation Years

Schedule 5

| Public Service Companies (2) | Total Assessed Valuation | Total Direct Tax Rate(3) | Estimated Actual Taxable Value(4) |
|---------------------------------|-----------------------------|--------------------------------|---|
| \$ 80,253,554 | \$ 3,781,045,108 | 0.42 | \$ 5,048,124,310 |
| 92,773,636 | 5,248,257,973 | 0.42 | 5,319,000,682 |
| 94,814,401 | 5,373,778,334 | 0.50 | 6,060,424,421 |
| 92,154,411 | 5,523,981,229 | 0.51 | 6,407,587,552 |
| 97,049,097 | 5,741,422,691 | 0.44 | 7,441,895,905 |
| 97,192,027 | 7,185,163,146 | 0.42 | 7,185,163,146 |
| 97,130,761 | 7,366,410,909 | 0.42 | 7,833,274,042 |
| 99,064,090 | 7,652,511,338 | 0.42 | 8,277,459,533 |
| 99,766,355 | 7,865,963,810 | 0.42 | 9,081,001,859 |
| 84,739,347 | 8,189,801,676 | 0.42 | 10,528,090,598 |

Carteret County, North Carolina

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

| | 1997 | 1998 | 1999 | 2000 | 2001 |
|-----------------------|--------|--------|--------|--------|--------|
| Municipalities | | | | | |
| Carteret County | 0.5100 | 0.4200 | 0.4200 | 0.5000 | 0.5100 |
| Atlantic Beach | 0.4500 | 0.3500 | 0.3100 | 0.3100 | 0.2900 |
| Beaufort | 0.4050 | 0.3450 | 0.3450 | 0.3450 | 0.3850 |
| Bogue | 0.0500 | 0.0500 | 0.0500 | 0.0500 | 0.0500 |
| Cape Carteret | 0.3500 | 0.2600 | 0.2600 | 0.2600 | 0.2600 |
| Cedar Point | 0.0500 | 0.0500 | 0.0500 | 0.0500 | 0.0500 |
| Emeral Isle | 0.2150 | 0.1750 | 0.1850 | 0.1950 | 0.1950 |
| Indian Beach | 0.2300 | 0.1700 | 0.1700 | 0.1700 | 0.1700 |
| Morehead City | 0.4500 | 0.4000 | 0.4600 | 0.4000 | 0.4000 |
| Newport | 0.4600 | 0.4200 | 0.4200 | 0.4200 | 0.4500 |
| Pelletier' | | 0.0500 | 0.0500 | 0.0500 | 0.0500 |
| Pine Knoll Shores | 0.2100 | 0.1600 | 0.1600 | 0.1600 | 0.1600 |
| Fire Districts | | | | | |
| Atlantic | 0.0500 | 0.0500 | 0.0500 | 0.0500 | 0.0500 |
| Atlantic Beach' | 0.1000 | 0.1000 | 0.1000 | 0.1000 | 0.1000 |
| Beaufort | 0.0825 | 0.0680 | 0.0600 | 0.0600 | 0.0600 |
| Broad & Gales Creek | 0.0600 | 0.0500 | 0.0400 | 0.0400 | 0.0400 |
| Cape Carteret | 0.0400 | 0.0400 | 0.0400 | 0.0400 | 0.0550 |
| Cedar Island | 0.1000 | 0.1000 | 0.1000 | 0.1000 | 0.1000 |
| Davis | 0.1000 | 0.1000 | 0.1000 | 0.1000 | 0.1000 |
| Harkers Island | 0.0410 | 0.0400 | 0.0400 | 0.0400 | 0.0600 |
| Harlowe | 0.0500 | 0.0550 | 0.0550 | 0.0550 | 0.0550 |
| Marshallberg | 0.0700 | 0.0700 | 0.0700 | 0.0700 | 0.0700 |
| Mill Creek | 0.0600 | 0.0600 | 0.0600 | 0.0550 | 0.0700 |
| Mitchell Village | 0.0800 | 0.0800 | 0.0800 | 0.0800 | 0.0800 |
| Newport | 0.0950 | 0.0650 | 0.0600 | 0.0600 | 0.0600 |
| North River | 0.0900 | 0.0900 | 0.0900 | 0.0900 | 0.0900 |
| Otway | 0.0500 | 0.0400 | 0.0400 | 0.0400 | 0.0400 |
| Salter Path | 0.0600 | 0.0600 | 0.0500 | 0.0500 | 0.0500 |
| Sea Level | 0.1000 | 0.1000 | 0.1000 | 0.1000 | 0.1000 |
| South River/ Merrimon | 0.0700 | 0.0700 | 0.0700 | 0.0700 | 0.0700 |
| Stacy | 0.0800 | 0.0800 | 0.0800 | 0.0800 | 0.0800 |
| Stella | 0.0500 | 0.0500 | 0.0500 | 0.0500 | 0.0500 |
| Wildwood | 0.0500 | 0.0600 | 0.0600 | 0.0600 | 0.0600 |

(Continued)

Schedule 6
Page 1 of 2

| 2002 | 2003 | 2004 | 2005 | 2006 |
|--------|--------|--------|--------|--------|
| 0.4400 | 0.4200 | 0.4200 | 0.4200 | 0.4200 |
| 0.2100 | 0.2300 | 0.2300 | 0.2300 | 0.2300 |
| 0.3400 | 0.3600 | 0.3600 | 0.3800 | 0.3800 |
| 0.0500 | 0.0500 | 0.0500 | 0.0500 | 0.0500 |
| 0.2300 | 0.2300 | 0.2300 | 0.2300 | 0.2300 |
| 0.0500 | 0.0500 | 0.0500 | 0.0500 | 0.0500 |
| 0.1750 | 0.1850 | 0.1750 | 0.1650 | 0.1550 |
| 0.1600 | 0.1600 | 0.1600 | 0.0900 | 0.1000 |
| 0.3800 | 0.3800 | 0.3800 | 0.3800 | 0.3800 |
| 0.4300 | 0.4300 | 0.4300 | 0.4300 | 0.4300 |
| 0.0500 | 0.0500 | 0.0500 | 0.0500 | 0.0500 |
| 0.1600 | 0.1700 | 0.1800 | 0.1800 | 0.1800 |
| 0.0400 | 0.0550 | 0.0650 | 0.0650 | 0.0650 |
| 0.1000 | - | - | - | - |
| 0.0500 | 0.0600 | 0.0600 | 0.0600 | 0.0700 |
| 0.0350 | 0.0400 | 0.0400 | 0.0400 | 0.0400 |
| 0.0700 | 0.0700 | 0.0700 | 0.0700 | 0.0700 |
| 0.1000 | 0.1000 | 0.1000 | 0.1000 | 0.1000 |
| 0.1000 | 0.1000 | 0.1000 | 0.1000 | 0.1000 |
| 0.0600 | 0.0600 | 0.0600 | 0.0600 | 0.0600 |
| 0.0550 | 0.0550 | 0.0550 | 0.0550 | 0.0550 |
| 0.0600 | 0.0700 | 0.0700 | 0.0700 | 0.0700 |
| 0.0550 | 0.0550 | 0.0550 | 0.0550 | 0.0550 |
| 0.0800 | 0.0800 | 0.0800 | 0.0800 | 0.0800 |
| 0.0550 | 0.0700 | 0.0800 | 0.0800 | 0.0800 |
| 0.0700 | 0.0750 | 0.0750 | 0.0750 | 0.0750 |
| 0.0400 | 0.0400 | 0.0400 | 0.0400 | 0.0400 |
| 0.0500 | 0.0500 | 0.0500 | 0.0500 | 0.0600 |
| 0.1000 | 0.1000 | 0.1000 | 0.1000 | 0.1000 |
| 0.0700 | 0.0700 | 0.0700 | 0.0700 | 0.0700 |
| 0.0800 | 0.0800 | 0.0800 | 0.0800 | 0.0800 |
| 0.0500 | 0.0500 | 0.0500 | 0.0500 | 0.0500 |
| 0.0500 | 0.0800 | 0.0750 | 0.0950 | 0.0950 |

Carteret County, North Carolina

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

| | 1997 | 1998 | 1999 | 2000 | 2001 |
|--|--------|--------|--------|--------|--------|
| Rescue Districts | | | | | |
| Beaufort | 0.0450 | 0.0450 | 0.0450 | 0.0450 | 0.0450 |
| Broad & Gales Creek | 0.0200 | 0.0200 | 0.0150 | 0.0150 | 0.0200 |
| Cape Carteret | 0.0250 | 0.0250 | 0.0200 | 0.0470 | 0.0500 |
| Mitchell Village | 0.0400 | 0.0400 | 0.0400 | 0.0400 | 0.0400 |
| Otway | 0.0300 | 0.0300 | 0.0250 | 0.0500 | 0.0600 |
| Sea Level | 0.0700 | 0.0900 | 0.0900 | 0.1000 | 0.1000 |
| Mill Creek ² | | | | 0.0100 | 0.0100 |
| Beach Nourishment Districts | | | | | |
| Salter Path ⁴ | | | | | |
| Indian Beach Non Ocean Front ⁴ | | | | | |
| Indian Beach Ocean Front ⁴ | | | | | |
| Emerald Isle Non Ocean Front ⁴ | | | | | |
| Emerald Isle Ocean Front ⁴ | | | | | |
| Pine Knoll Shores Ocean Front ⁵ | | | | | |
| Pine Knoll Shores Non Ocean Front ⁵ | | | | | |

Source:

Notes:

¹ First Year Tax District 1998

² First Year Tax District 2000

³ Annexed by town of Atlantic Beach 2002

⁴ First Year Tax District 2003

⁵ First Year Tax District 2004

Schedule 6
Page 2 of 2

| 2002 | 2003 | 2004 | 2005 | 2006 |
|--------|--------|--------|--------|--------|
| 0.0400 | 0.0550 | 0.0550 | 0.0550 | 0.0550 |
| 0.0200 | 0.0350 | 0.0450 | 0.0550 | 0.0750 |
| 0.0500 | 0.0500 | 0.0500 | 0.0550 | 0.0500 |
| 0.0400 | 0.0400 | 0.0400 | 0.0400 | 0.0400 |
| 0.0450 | 0.0550 | 0.0550 | 0.0550 | 0.0550 |
| 0.1375 | 0.1675 | 0.1675 | 0.1675 | 0.1675 |
| 0.0100 | 0.0200 | 0.0200 | 0.0200 | 0.0200 |
| | 0.4300 | 0.4300 | 0.4300 | 0.4300 |
| | 0.0500 | 0.0500 | 0.0200 | 0.0200 |
| | 0.4800 | 0.4800 | 0.2200 | 0.2200 |
| | 0.0300 | 0.0300 | 0.0300 | 0.0300 |
| | 0.4800 | 0.4800 | 0.4800 | 0.4800 |
| | | 0.4200 | 0.4200 | 0.0600 |
| | | 0.0600 | 0.0600 | 0.2000 |

Ten Largest Taxpayers
Current Year and Nine Years Ago

| Name of Taxpayer | Type of Enterprise | Fiscal Year 2006 | | | Fiscal Year 1997 | | |
|---------------------------------------|--------------------|-----------------------|------|-------------------------------------|-----------------------|------|-------------------------------------|
| | | Assessed Valuation | Rank | Percent of Total Assessed Valuation | Assessed Valuation | Rank | Percent of Total Assessed Valuation |
| Carteret-Craven Electric Member Corp. | Utility | \$ 33,835,035 | 1 | 0.413% | \$ 21,033,386 | 5 | 0.42% |
| Progress Energy | Utility | 32,639,686 | 2 | | - | | - |
| Carolina Telephone | Utility | 31,633,943 | 3 | 0.399% | 24,968,668 | 4 | 0.50% |
| Open Grounds Farm, Inc. | Farm | 31,604,826 | 4 | 0.386% | 39,251,437 | 1 | 0.79% |
| Atlantic Vaneer Corp | Manufacturing | 18,679,278 | 5 | 0.228% | - | | - |
| GR&S Atlantic Beach LTD | Hotel | 15,496,228 | 6 | 0.189% | - | | - |
| USPG Portfolia One LLC | Retail | 12,375,792 | 7 | 0.151% | - | | - |
| Wal-Mart Stores East Inc | Retail | 11,815,034 | 8 | 0.144% | - | | - |
| Time Warner Entertainment | Communications | 11,221,443 | 9 | 0.137% | - | | - |
| Weyerhaeuser Company | Real Estate | 4,600,317 | 10 | 0.056% | 26,967,621 | 2 | 0.54% |
| Paxon Holz | Real Estate | - | | 0.000% | 24,090,302 | 3 | 0.49% |
| Carolina Power & Light | Utility | - | | 0.000% | 20,305,438 | 6 | 0.41% |
| Calvin Wellons | Real Estate | - | | 0.000% | 5,065,618 | 7 | 0.10% |
| Herbert Amick | Real Estate | - | | 0.000% | 5,000,000 | 8 | 0.10% |
| Metropolitan Life Insurance Co | Farm | - | | 0.000% | 4,754,772 | 9 | 0.10% |
| Glimcher Properties | Real Estate | - | | 0.000% | 4,523,822 | 10 | 0.09% |
| | | <u>\$ 203,901,582</u> | | | <u>\$ 175,961,064</u> | | <u>3.540%</u> |

Source: Carteret County Tax Department

Carteret County, North Carolina

Property Tax Levies and Collections (1)(2)
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 |
| 1997 | \$ 20,121,276 | \$ 445,000 | \$ 20,566,276 | \$ 19,840,154 | 96.47% |
| 1998 | 23,615,701 | 418,049 | 24,033,750 | 23,070,030 | 95.99% |
| 1999 | 24,032,843 | 404,648 | 24,437,491 | 23,576,414 | 96.48% |
| 2000 | 29,192,626 | 434,423 | 29,627,049 | 28,576,260 | 96.45% |
| 2001 | 28,807,745 | (33,876) | 28,773,869 | 27,734,112 | 96.39% |
| 2002 | 31,479,493 | 239,886 | 31,719,329 | 30,443,658 | 95.98% |
| 2003 | 30,956,268 | 14,728 | 30,970,996 | 29,898,714 | 96.54% |
| 2004 | 32,194,055 | (53,507) | 32,140,548 | 31,217,821 | 97.13% |
| 2005 | 33,055,434 | (18,386) | 38,057,048 | 32,055,875 | 97.03% |
| 2006 | 34,299,028 | 98,139 | 34,397,167 | 33,517,698 | 97.44% |

Notes:

(1) Includes General and Special Revenue Funds fiscal year 1997 - 2000; fiscal years 2001 - 2004 include General Fund.

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

Schedule 8

| Total Collections to Date | | | |
|---------------------------|------------------|-------------------|----------------|
| | Collections of | | Percentage of |
| | Subsequent Years | Amount | Levy |
| \$ | 1,544,718 | \$ 21,384,872 | 103.98% |
| | 619,904 | 23,689,934 | 99.00% |
| | 782,988 | 24,359,402 | 99.68% |
| | 589,834 | 29,166,094 | 98.45% |
| | 794,819 | 28,528,931 | 99.15% |
| | 959,363 | 31,403,021 | 99.00% |
| | 1,223,876 | 31,122,590 | 100.49% |
| | 1,044,755 | 32,262,576 | 100.38% |
| | 943,884 | 32,999,759 | 99.84% |
| | 976,114 | 34,493,812 | 100.26% |

Ratios of Outstanding Debt by Type,
Last Ten Fiscal Years

| Fiscal Year | Governmental Activities | | | | Total Primary Government | Per Capita (1) | Percentage of Personal Income (1) |
|----------------|--------------------------------|----------------------------------|----------------------|----------------------|--------------------------------|-------------------|---|
| | General Obligation Bonds | Certificates of Participation | Installment Loans | Installment Loans | | | |
| 1997 | \$ 32,000,000 | \$ 10,665,000 | \$ 187,901 | \$ - | \$ 42,852,901 | \$ 722 | 3.28% |
| 1998 | 30,750,000 | 9,150,000 | 93,454 | - | 39,993,454 | 670 | 2.91% |
| 1999 | 29,450,000 | 7,585,000 | 705,000 | - | 37,740,000 | 622 | 2.61% |
| 2000 | 19,250,000 | 20,480,000 | 1,047,722 | - | 40,777,722 | 662 | 2.67% |
| 2001 | 26,850,000 | 18,070,000 | 2,328,471 | - | 47,248,471 | 767 | 2.93% |
| 2002 | 25,150,000 | 16,625,000 | 4,962,053 | - | 46,737,053 | 750 | 2.89% |
| 2003 | 31,050,000 | 24,285,000 | 3,073,143 | 467,612 | 58,875,755 | 970 | 3.49% |
| 2004 | 29,695,000 | 22,240,000 | 2,516,572 | 589,608 | 55,041,180 | 909 | 3.05% |
| 2005 | 27,650,000 | 20,545,000 | 2,100,000 | 2,980,303 | 53,275,303 | 872 | * |
| 2006 | 47,605,000 | 18,715,000 | 1,800,000 | 3,328,720 | 71,448,720 | 1,138 | * |

* Information not yet available

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

(1) See Schedule 13 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 year 2005 and 2006.

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 |
|------------------------------|--|----------------------|---|-------------------------------------|---------------------------|--|
| 1997 | \$ 32,000,000 | \$ 3,781,043,111 | 0.85% | 2.45% | 59,370 | \$ 539.00 |
| 1998 | 30,750,000 | 5,248,257,973 | 0.59% | 2.24% | 59,725 | 514.86 |
| 1999 | 29,450,000 | 5,373,778,334 | 0.55% | 2.04% | 60,719 | 485.03 |
| 2000 | 28,150,000 | 5,523,981,229 | 0.51% | 1.84% | 61,587 | 457.08 |
| 2001 | 26,850,000 | 5,644,373,594 | 0.46% | 1.67% | 61,600 | 435.88 |
| 2002 | 25,150,000 | 7,185,163,146 | 0.35% | 1.55% | 62,326 | 403.52 |
| 2003 | 31,050,000 | 7,366,410,909 | 0.42% | 1.84% | 60,712 | 511.43 |
| 2004 | 29,695,000 | 7,652,511,338 | 0.39% | 1.65% | 60,574 | 490.23 |
| 2005 | 27,650,000 | 7,865,963,810 | 0.35% | * | 61,122 | 452.37 |
| 2006 | 47,605,000 | 8,189,801,676 | 0.58% | * | 62,760 | 758.52 |

Notes: Details regarding the County's outstanding debt can be found in the notes to the Financial Statements

(1) NC Office of State Planning

*Personal income not available to calculate fiscal year 2005 and 2006

Carteret County, North Carolina

Computation of Legal Debt Margin
Last Ten Fiscal Years

| | 1997 | 1998 | 1999 | 2000 |
|---|-------------------|-------------------|-------------------|-------------------|
| Assessed values of property | \$ 3,781,043,111 | \$ 5,248,257,973 | \$ 5,373,778,334 | \$ 5,523,981,229 |
| Debt limit 8% of assessed value | 302,483,449 | 419,860,638 | 429,902,267 | 441,918,498 |
| Gross debt: | | | | |
| Total bonded debt | 32,025,550 | 39,900,000 | 37,035,000 | 48,630,000 |
| Installment debt | 187,901 | 93,454 | 705,000 | 551,632 |
| Authorized unissued bonded debt | - | - | - | 13,525,000 |
| Total amount of debt applicable to debt limit | 32,213,451 | 39,993,454 | 37,740,000 | 62,706,632 |
| Legal debt margin | \$ 270,269,998 | \$ 379,867,184 | \$ 392,162,267 | \$ 379,211,866 |
| Total net debt applicable to the limit as a percentage of debt limit | 10.65% | 9.53% | 8.78% | 14.19% |

Schedule 11

| 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 5,644,373,594 | \$ 7,185,163,146 | \$ 7,366,410,909 | \$ 7,652,511,388 | \$ 7,865,963,810 | \$ 8,189,801,676 |
| 451,549,888 | 574,813,052 | 589,312,873 | 612,200,911 | 629,277,105 | 655,184,134 |
| 44,920,000 | 41,775,000 | 55,335,000 | 52,095,000 | 48,195,000 | 66,320,000 |
| 2,328,471 | 4,962,053 | 3,073,143 | 2,516,572 | 2,100,000 | 1,800,000 |
| 7,600,000 | 7,600,000 | - | - | - | 28,010,000 |
| 54,848,471 | 54,337,053 | 58,408,143 | 54,611,572 | 50,295,000 | 96,130,000 |
| \$ 396,701,417 | \$ 520,475,999 | \$ 530,904,730 | \$ 557,589,339 | \$ 578,982,105 | \$ 559,054,134 |
| 12.15% | 9.45% | 9.91% | 8.92% | 7.99% | 14.67% |

Computation of Direct and Underlying Debt
 General Obligation Bonds
 June 30, 2006

| | Outstanding Debt | Percent Applicable to County | Amount Applicable to County |
|---------------------------|----------------------|------------------------------------|-----------------------------------|
| Direct | | | |
| Carteret County | \$ 68,120,000 | 100.00% | \$ 68,120,000 |
| Underlying | | | |
| Town of Beaufort | 231,400 | 100.00% | 231,400 |
| Town of Atlantic Beach | 550,145 | 100.00% | 550,145 |
| Town of Emerald Isle | 12,525,000 | 100.00% | 12,525,000 |
| Town of Morehead City | 2,896,108 | 100.00% | 2,896,108 |
| Town of Newport | 2,274,704 | 100.00% | 2,274,704 |
| Town of Pine Knoll Shores | 11,146,000 | 100.00% | 11,146,000 |
| Town of Indian Beach | 1,874,372 | 100.00% | 1,874,372 |
| | <u>\$ 99,617,729</u> | | <u>\$ 99,617,729</u> |

Demographic Statistics
Last Ten Fiscal Years

| Fiscal Year | Population (1) | Personal Income (2) (in thousands) | Per Capita Income (3) | Unemployment Rate (4) | Public School Enrollment (5) |
|-------------|----------------|--|--------------------------|--------------------------|---------------------------------|
| 1997 | 59,370 | \$1,306,326 | \$20,901 | 4.54% | 8,176 |
| 1998 | 59,725 | 1,372,031 | 21,537 | 4.61% | 8,507 |
| 1999 | 60,719 | 1,444,680 | 21,375 | 4.40% | 8,221 |
| 2000 | 61,587 | 1,529,989 | 21,644 | 3.80% | 8,326 |
| 2001 | 61,600 | 1,611,284 | 24,059 | 3.10% | 8,271 |
| 2002 | 62,326 | 1,618,781 | 26,090 | 4.98% | 8,177 |
| 2003 | 60,712 | 1,685,144 | 26,090 | 5.30% | 8,163 |
| 2004 | 60,574 | 1,803,484 | 28,451 | 4.66% | 8,259 |
| 2005 | 61,112 | * | 28,239 | 4.59% | 8,237 |
| 2006 | 62,760 | * | 29,177 | 4.22% | 8,425 |

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) Economic Development Council

(4) North Carolina Employment Security Commission

(5) Carteret County Board of Education

* Information Unavailable

Principal Employers
Current Year and Nine Years Ago

| Employer | 2006 | | | 1997 | | |
|--------------------------------------|-----------|------|---|-----------|------|---|
| | Employees | Rank | Percentage of Total County Employment | Employees | Rank | Percentage of Total County Employment |
| Carteret County Public Schools | 1,418 | 1 | 4.33% | 1,135 | 1 | 3.75% |
| Carteret General Hospital | 842 | 2 | 2.57% | 775 | 2 | 2.56% |
| Wal-Mart | 563 | 3 | 1.72% | 331 | 5 | 1.09% |
| Carteret County | 372 | 4 | 1.14% | 426 | 4 | 1.41% |
| Atlantic Veneer | 363 | 5 | 1.11% | 568 | 3 | 1.88% |
| Carteret Community College | 350 | 6 | 1.07% | 263 | 6 | 0.87% |
| Food Lion | 270 | 7 | 0.82% | 167 | 10 | 0.55% |
| Henry's Tackle & Sporting Goods | 205 | 8 | 0.63% | 258 | 7 | 0.85% |
| US Coast Guard | 201 | 9 | 0.61% | - | - | 0.00% |
| NC Natural Resources & Community Dev | 173 | 10 | 0.53% | - | - | 0.00% |
| Cross Creek Apparel, Inc. | - | - | 0.00% | 251 | 8 | 0.83% |
| Bally Refrigerated Boxes, Inc. | - | - | 0.00% | 229 | 9 | 0.76% |

Source: Carteret County Economic Development Council

Carteret County, North Carolina

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

| Function/Program | Full-time Equivalent Employees | | | | | |
|-----------------------------------|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
| General government | 48.00 | 52.00 | 51.00 | 54.00 | 51.00 | 51.00 |
| Public safety | 96.00 | 93.00 | 98.00 | 90.00 | 90.00 | 98.00 |
| Transportation | - | - | - | 1.00 | 1.00 | 2.00 |
| Economic and physical development | 11.00 | 15.00 | 16.00 | 25.00 | 25.00 | 24.00 |
| Environmental protection | 9.00 | 9.00 | 10.00 | 10.00 | 10.00 | 9.00 |
| Human Services | 122.00 | 131.00 | 141.00 | 151.00 | 153.00 | 153.95 |
| Cultural and recreation | 14.00 | 16.00 | 19.00 | 20.00 | 20.00 | 20.40 |
| Water/Sewer (Business activity) | - | - | - | - | - | - |
| Total | 300.00 | 316.00 | 335.00 | 351.00 | 350.00 | 358.35 |

Source: County Finance Department

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

Vacant positions are not included in the above numbers.

Full time personnel work 2,088 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 15

| 2003 | 2004 | 2005 | 2006 |
|--------|--------|--------|--------|
| 48.00 | 49.00 | 47.00 | 61.30 |
| 98.75 | 98.75 | 100.75 | 102.75 |
| 2.00 | 2.00 | 2.00 | 2.00 |
| 21.00 | 14.00 | 15.00 | 17.00 |
| 8.00 | 8.80 | 9.80 | 9.80 |
| 153.60 | 153.25 | 156.25 | 154.15 |
| 19.40 | 20.00 | 20.00 | 21.00 |
| 2.20 | 2.20 | 2.20 | 3.70 |
| 352.95 | 348.00 | 353.00 | 371.70 |

Compliance Section

McGladrey & Pullen

Certified Public Accountants

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 *Government Auditing Standards*

To the Board of County Commissioners
Carteret County, North Carolina
Beaufort, North Carolina

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carteret County, North Carolina as of and for the year ended June 30, 2006, which collectively comprise Carteret County's basic financial statements, and have issued our report thereon dated September 27, 2006. We did not audit the financial statements of Carteret County General Hospital Corporation, Carteret County Alcoholic Beverage Control ("ABC") Board, Beaufort-Morehead City Airport Authority or Carteret County Tourism Development Authority, which are all of the County's discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based 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. The financial statements of Carteret County General Hospital Corporation and Carteret County Alcoholic Beverage Control Board were not audited in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Carteret County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carteret County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests and the reports of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the County Commissioners, management, federal and State awarding agencies, pass-through entities and the North Carolina Department of the State Treasurer and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Morehead City, North Carolina
September 27, 2006

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and the State Single Audit Implementation Act

To the Board of County Commissioners
Carteret County, North Carolina
Beaufort, North Carolina

Compliance

We have audited the compliance of Carteret County, North Carolina, with the types of compliance requirements described in the U. S. Office of Management and Budget ("OMB") Circular A-133, *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2006. Carteret County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Carteret County's management. Our responsibility is to express an opinion on Carteret County's compliance based on our audit.

Carteret County's basic financial statements include the operations of Carteret General Hospital Corporation, Carteret County Alcoholic Beverage Control Board ("ABC Board"), Beaufort-Morehead City Airport Authority, and Carteret County Tourism Development Authority, which are all of the discretely presented component units of Carteret County. The financial statements of Carteret County General Hospital Corporation and the ABC Board were not audited in accordance with *Government Auditing Standards*, OMB Circular A-133, or the State Single Audit Implementation Act. The financial statements of Carteret County Tourism Development Authority and Beaufort-Morehead Airport Authority were audited in accordance with *Government Auditing Standards*, but not in accordance with OMB Circular A-133 or the State Single Audit Implementation Act. Our audit, described below, did not include the operations of the County's discretely presented component units.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the *State Single Audit Implementation Act* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Carteret 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. Our audit does not provide a legal determination on Carteret County's compliance with those requirements.

In our opinion, Carteret County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Carteret County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Carteret County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the County Commissioners, management, federal and State awarding agencies and pass-through entities and the North Carolina Department of the State Treasurer and is not intended to be, and should not be, used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Morehead City, North Carolina
September 27, 2006

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Compliance With Requirements Applicable to Each Major State Program and on Internal Control Over Compliance in Accordance With Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act

To the Board of County Commissioners
Carteret County, North Carolina
Beaufort, North Carolina

Compliance

We have audited the compliance of Carteret County, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2006. Carteret County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Carteret County's management. Our responsibility is to express an opinion on Carteret County's compliance based on our audit.

Carteret County's basic financial statements include the operations of Carteret General Hospital Corporation, Carteret County Alcoholic Beverage Control Board ("ABC Board"), Beaufort-Morehead City Airport Authority, and Carteret County Tourism Development Authority, which are all of the discretely presented component units of Carteret County. The financial statements of Carteret County General Hospital Corporation and the ABC Board were not audited in accordance with *Government Auditing Standards*, applicable sections of OMB Circular A-133 or the State Single Audit Implementation Act. The financial statements of Carteret County Tourism Development Authority and Beaufort-Morehead City Airport Authority were audited in accordance with *Government Auditing Standards*, but not in accordance with applicable sections of OMB Circular A-133 or the State Single Audit Implementation Act. Our audit, described below, did not include the operations of the County's discretely presented component units.

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 OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Carteret 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. Our audit does not provide a legal determination on Carteret County's compliance with those requirements.

In our opinion, Carteret County complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Carteret County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered Carteret County's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the County Commissioners, management, State awarding agencies and pass-through entities and the North Carolina Department of the State Treasurer and is not intended to be, and should not be, used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Morehead City, North Carolina
September 27, 2006

Carteret County, North Carolina

Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

I - Summary of Independent Auditor's Results

Financial Statements

| | | | |
|---|-------------|----------------------------|--|
| Type of auditor's report issued: | Unqualified | | |
| Internal control over financial reporting: | | | |
| Material weakness(es) identified? | _____ Yes | <u> X </u> No | |
| Reportable condition(s) identified that are not considered to be material weakness(es)? | _____ Yes | <u> X </u> None Reported | |
| Noncompliance material to financial statements noted? | _____ Yes | <u> X </u> No | |

Federal Awards

| | | | |
|---|-----------|----------------------------|--|
| Internal control over major federal programs: | | | |
| Material weakness(es) identified? | _____ Yes | <u> X </u> No | |
| Reportable condition(s) identified that are not considered to be material weakness(es)? | _____ Yes | <u> X </u> None Reported | |

| | | | |
|--|-------------|-----------------|--|
| Type of auditor's report issued on compliance for major federal programs: | Unqualified | | |
| Any audit findings disclosed that are required to be reported in accordance with Section .510(a) OMB Circular A-133? | _____ Yes | <u> X </u> No | |

Identification of major federal programs:

| <u>Program Name</u> | <u>CFDA</u> |
|---------------------|-------------|
| Medical Assistance | 93.778 |

| | | | |
|--|--------------------|-----------------|--|
| Dollar threshold used to distinguish between type A and type B programs: | <u>\$1,324,206</u> | | |
| Auditee qualified as low-risk auditee? | _____ Yes | <u> X </u> No | |

(Continued)

Carteret County, North Carolina

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2006

I - Summary of Independent Auditor's Results (Continued)

State Awards

Internal control over major State programs:

| | | |
|---|-----------------------|--------------------------------|
| Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| Reportable condition(s) identified that are not considered to be material weakness(es)? | <u> </u> Yes | <u> X </u> None Reported |

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

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

Identification of major State programs:

| <u>Program Name</u> | <u>Grant Number</u> |
|------------------------|---------------------|
| Title IV-E Foster Care | 93.658 |

II. Financial Statement Findings

None reported.

(Continued)

Carteret County, North Carolina

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2006

III - Federal Award Findings and Questioned Costs

None reported.

IV - State Award Findings and Questioned Costs

None reported.

Carteret County, North Carolina

Corrective Action Plan
Year Ended June 30, 2006

No corrective action plan is required for the current year.

Carteret County, North Carolina

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2006

Finding 05-1:

Name of Contact Person: Carl Tilghman

Computer software programming changes to the tax collection software do not allow clerical staff to back date or delete transactions except for the Tax Collections Supervisor.

Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2006

| | CFDA Number | Grantor's Number | Expenditures | | |
|---|----------------|---------------------|------------------|----------|----------------|
| | | | Federal | State | Local |
| Federal Assistance | | | | | |
| US Department of Agriculture: | | | | | |
| Passed through NC Department of Agriculture: | | | | | |
| Administered by County Finance Department | | | | | |
| Soil and water conservation | 10.550 | | \$ 16,749 | \$ - | \$ 62,283 |
| 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 | | 173,565 | - | 56,746 |
| Benefit Payments - noncash | 10.557 | | 825,924 | - | - |
| | | | <u>999,489</u> | <u>-</u> | <u>56,746</u> |
| Passed through NC Department of Health and Human Services: | | | | | |
| Division of Social Services: | | | | | |
| Administered by County Department of Social Services: | | | | | |
| State Administrative Matching Grants for the Food Stamp | | | | | |
| Program Food Stamp Cluster: | | | | | |
| Food Stamp Benefit Payments - noncash | 10.551 | | 3,668,819 | - | - |
| Food Stamp Admin | 10.561 | | 208,950 | - | 208,950 |
| Food Stamp E&T & Depend Care | 10.561 | | 1,075 | - | 1,075 |
| Food Stamp Fraud Admin | 10.561 | | 21,822 | - | 21,822 |
| | | | <u>3,900,666</u> | <u>-</u> | <u>231,847</u> |
| Total US Department of Agriculture | | | <u>4,916,904</u> | <u>-</u> | <u>350,876</u> |
| 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 | | 7,825 | - | - |
| US Department of Housing and Urban Development: | | | | | |
| Passed through NC Department of Commerce: | | | | | |
| Administered by the Carteret County Planning: | | | | | |
| Community Development Block Grant | 14.228 | 03-C-1122 | 356,297 | - | - |
| Community Development Block Grant | 14.228 | 01-C-0587 | 103,583 | - | - |
| | | | <u>459,880</u> | <u>-</u> | <u>-</u> |
| US Department of Interior: | | | | | |
| Direct Program: | | | | | |
| Administered by County Finance Department: | | | | | |
| National Forest, Public Schools | 15.225 | | 151,611 | - | - |

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
 Year Ended June 30, 2006

| | CFDA Number | Grantor's Number | Expenditures | | |
|--|----------------|---------------------|------------------|---------------|----------------|
| | | | Federal | State | Local |
| US Department of Transportation: | | | | | |
| Passed through NC Department of Transportation: | | | | | |
| Administered by County CCATS Department: | | | | | |
| Rural Operating Assistance Including Elderly and Disabled: | | | | | |
| Transportation Assistance, Work First, and | 20.509 | | \$ 70,072 | \$ 4,380 | \$ 14,785 |
| Rural General Public Program | 20.509 | | 101,904 | 12,738 | 11,464 |
| | | | <u>171,976</u> | <u>17,118</u> | <u>26,249</u> |
| US Environmental Protection Agency: | | | | | |
| Passed through NC Department of Natural Resources: | | | | | |
| Drinking Water State Revolving Fund | 66.468 | H-LRX-F-02-0906 | 378,273 | - | - |
| US Department of Health and Human Services: | | | | | |
| Passed through NC Department of Health and Human Services: | | | | | |
| NC Division of Aging and Adult Services, Eastern Carolina | | | | | |
| Council - Aging Cluster: | | | | | |
| Title III D | 93.043 | | 5,707 | 336 | 671 |
| HCCBG In-Home Support Services | 93.044 | | 165,991 | 9,764 | 19,528 |
| HCCBG - Access | 93.044 | | 57,465 | 3,380 | 6,761 |
| HCCBG Congregate Meals | 93.045 | | 61,613 | 2,936 | 7,249 |
| HCCBG Home Delivered Meals | 93.045 | | 7,047 | 336 | 829 |
| HCCBG In-Home Support Services | 93.667 | | 9,117 | 260 | 1,042 |
| | | | <u>306,940</u> | <u>17,012</u> | <u>36,080</u> |
| Passed through NC Dept. of Health and Human Services: | | | | | |
| NC Division of Aging and Adult Services, Eastern Carolina Council: | | | | | |
| NSIP-Nutrition (USDA Title C1, C2) | 93.053 | | 10,111 | - | - |
| Passed through NC Department of Health and Human Services: | | | | | |
| Division of Social Services: | | | | | |
| Administered by Carteret County Department of Social Services: | | | | | |
| TANF Benefit Payments | 93.558 | | 352,236 | (24) | 69 |
| Work First Administration | 93.558 | | 99,755 | - | 61,548 |
| TANF Domestic Violence | 93.558 | | 10,220 | - | 10,220 |
| TANF Up | 93.558 | | 4,238 | - | - |
| Work First Service | 93.558 | | 687,564 | - | 466,844 |
| AFDC Payments | 93.560 | | (632) | (173) | (173) |
| | | | <u>1,153,381</u> | <u>(197)</u> | <u>538,508</u> |
| Passed through NC Department of Health and Human Services: | | | | | |
| Division of Social Services: | | | | | |
| Administered by Carteret County Department of Social Services | | | | | |
| CCDF | 93.596 | | 75,045 | - | - |
| 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 | | 63,603 | - | - |
| Administration | 93.568 | | 8,695 | - | - |
| Crisis Intervention payments | 93.568 | | 53,777 | 12,268 | - |
| | | | <u>126,075</u> | <u>12,268</u> | <u>-</u> |

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2006

| | CFDA Number | Grantor's Number | Expenditures | | |
|--|----------------|---------------------|------------------|----------------|----------------|
| | | | Federal | State | Local |
| Passed through NC Department of Health and Human Services: | | | | | |
| Administered by Carteret County Department of Social Services: | | | | | |
| Subsidized Child Care Cluster: | | | | | |
| Child Care Development Fund Cluster | | | | | |
| Division of Social Services | | | | | |
| Child Care Development Fund-Administration | 93.596 | | \$ 75,045 | \$ - | \$ - |
| Child Care & Development Fund-Discretionary | 93.575 | | 617,613 | - | - |
| Child Care & Development Fund-Mandatory | 93.596 | | 307,333 | - | - |
| Child Care & Development Fund-Match | 93.596 | | 90,214 | 51,840 | - |
| SSBG | 93.667 | | 30,424 | - | - |
| Temporary Assistance for Needy Families | 93.558 | | 208,845 | - | - |
| Smart Start | | | - | 2,132 | - |
| State Appropriations | | | - | 256,988 | - |
| TANF- MOE | | | - | 470,998 | - |
| | | | <u>1,329,474</u> | <u>781,958</u> | <u>-</u> |
| Passed through NC Department of Health and Human Services: | | | | | |
| Division of Social Services: | | | | | |
| Administered by County Department of Social Services: | | | | | |
| Child Welfare Services: | | | | | |
| Permanency Planning: | | | | | |
| Regular | 93.645 | | 14,760 | 4,920 | - |
| Special | 93.645 | | 4,701 | - | 1,567 |
| | | | <u>19,461</u> | <u>4,920</u> | <u>1,567</u> |
| Foster Care and Adoption Cluster: | | | | | |
| Title IV-E Foster Care: | | | | | |
| IV E CPS | 93.658 | | 115,280 | 33,910 | 81,370 |
| IV-E Optional Adopt TRN 50% | 93.658 | | 126,029 | - | 129,029 |
| Foster Care in excess | 93.658 | | 13,216 | - | 7,587 |
| Foster Care payments | 93.658 | | 148,252 | 42,561 | 42,561 |
| IV-E Foster Care/OFF TRN | 93.658 | | 16,580 | - | 16,580 |
| IV-E Foster Care TRN | 93.658 | | 143 | - | 48 |
| IV-E Administration | 93.658 | | 358 | - | 358 |
| Title IV-E adoption subsidy | 93.659 | | 141,439 | 41,151 | 41,151 |
| | | | <u>561,297</u> | <u>117,622</u> | <u>318,684</u> |
| Passed through NC Department of Health and Human Services: | | | | | |
| Administered by County Department of Social Services: | | | | | |
| Social Services Block Grant: | | | | | |
| Family Planning: | | | | | |
| In-home Services | 93.667 | | 4,149 | - | 593 |
| In-home Services over 60 | 93.667 | | 20,053 | - | 2,865 |
| In-home Services - SSBG | 93.667 | | 159,414 | 16,463 | 58,626 |
| | | | <u>183,616</u> | <u>16,463</u> | <u>62,084</u> |
| Passed through NC Department of Health and Human Services: | | | | | |
| Administered by County Department of Social Services: | | | | | |
| Links | 93.674 | | 2,692 | 673 | - |
| Passed through NC Department of Health and Human Services: | | | | | |
| Administered by County Department of Social Services: | | | | | |
| NC Health Choice | 93.767 | | 61,382 | 2,820 | 18,223 |

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2006

| | CFDA Number | Grantor's Number | Expenditures | | |
|--|----------------|---------------------|-------------------|-------------------|------------------|
| | | | Federal | State | Local |
| Passed through NC Department of Health and Human Services: | | | | | |
| Division of Medical Assistance: | | | | | |
| Medical Assistance: | | | | | |
| Expansion | 93.778 | | \$ 9,215 | \$ 9,215 | \$ - |
| ADT CR HM CS Mgt/Spec | 93.778 | | 33,185 | 14,578 | 18,606 |
| Benefit payments | 93.778 | | 31,748,039 | 15,209,046 | 2,689,099 |
| Administration | 93.778 | | 649,587 | - | 649,587 |
| Transportation Service | 93.778 | | 16,894 | 8,239 | 1,455 |
| Transportation Administration | 93.778 | | 12,107 | - | 12,107 |
| | | | <u>32,469,027</u> | <u>15,241,078</u> | <u>3,370,854</u> |
| Passed through NC Department of Health and Human Services: | | | | | |
| Division of Public Health: | | | | | |
| HHS-CDC-Immunization | | | | | |
| Family Planning Service | 93.217 | | 105,701 | - | 44,104 |
| Immunization Program/Aid to County Funding | 93.268 | | 16,409 | - | - |
| Bioterrorism Grant | 93.283 | | 84,940 | - | 2,202 |
| Prevention Investigations and Technical Assistance | 93.283 | | 14,070 | - | - |
| Rape Prevention | 93.136 | | 5,450 | - | - |
| Social Services Block Grant | 93.667 | | 9,916 | - | - |
| Coop Agreement for Breast & Cervical Cancer | 93.919 | | - | - | - |
| Statewide Health Promotion Program | 93.991 | | 34,775 | - | 46,068 |
| Maternal & Child Health Services Block Grant | 93.994 | | 130,290 | - | 130,949 |
| | | | <u>401,551</u> | <u>-</u> | <u>223,323</u> |
| Passed through NC Department of Health and Human Services: | | | | | |
| Division of Social Services: | | | | | |
| Administered by County Department of Social Services: | | | | | |
| Adoption/Foster Care | 93.XXX | | 22,458 | - | - |
| Total US Department of Health and Human Services | | | <u>36,722,510</u> | <u>16,200,071</u> | <u>4,571,141</u> |
| US Dept of Homeland Security, Office for Domestic Preparedness: | | | | | |
| Passed through NC Department of Crime Control and Public Safety, | | | | | |
| Division of Emergency Management | | | | | |
| FEMA | 97.036 | | 441,974 | 147,325 | - |
| Bioterrorism Hosp Preparedness | 93.889 | | 20,370 | - | - |
| Homeland Security Grant | 97.004 | | 191,221 | - | - |
| Homeland Security Grant | 97.004 | | 41,940 | - | - |
| Homeland Security Grant | 97.004 | | 43,412 | - | - |
| Homeland Security Grant CERT | 97.004 | | 10,116 | - | - |
| Homeland Security Grant | 97.004 | | 55,053 | - | - |
| Homeland Security Grant | 97.006 | | 21,902 | - | - |
| | | | <u>825,988</u> | <u>147,325</u> | <u>-</u> |
| US Department of Election Assistance Commission | | | | | |
| Passed through NC State Board of Elections Department | 90.401 | | 505,242 | - | - |
| State Assistance | | | | | |
| NC Department of Health and Human Services: | | | | | |
| Administered by County Finance Department: | | | | | |
| Services for Court Referrals | | | | | |
| Easer Seals- UCP | | | - | 70,308 | - |
| Juvenile Restitution Fund | | | - | 45,376 | - |
| Juvenile Crime Prevention | | | - | 1,155 | - |
| Teen Court | | | - | 47,496 | - |
| | | | <u>-</u> | <u>164,335</u> | <u>-</u> |

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2006

| | CFDA Number | Grantor's Number | Expenditures | | |
|--|----------------|---------------------|--------------|-----------|-----------|
| | | | Federal | State | Local |
| Passed through NC Department of Health and Human Services: | | | | | |
| Division of Aging and Adult Services: | | | | | |
| Passed through Eastern Carolina Council of Government | | | | | |
| Administered by the County Department of Social Services | | | | | |
| In-house Services 90% State Funds: | | | | | |
| Senior Center : | | | | | |
| Senior Center Development | 93.XXX | NC-15 | \$ - | \$ 5,454 | \$ 1,818 |
| Division of Social Services: | | | | | |
| Administered by County Department of Social Services: | | | | | |
| State/County Special Assistance Benefit payments | | | - | 359,753 | 359,753 |
| Energy Assistance, Private Grants | | | - | 11,490 | - |
| CPS Expansion State | | | - | 52,879 | - |
| County Funded Programs | | | - | - | 497,441 |
| Non-Allocating County Cost | | | - | - | 221,778 |
| SC/ SA Administration | | | - | - | 26,049 |
| Aid to Counties | | | - | 35,411 | - |
| TANF / AFDC Program Integrity | | | - | 1,688 | - |
| CWS Adopt Subsidy & Vendor | | | - | 109,459 | 34,770 |
| Foster Care At Risk Maximization | | | - | 8,013 | 4,599 |
| State Foster Home | | | - | 49,798 | 49,798 |
| | | | - | 628,491 | 1,194,188 |
| Division of Aging and Adult Services: | | | | | |
| Passed through Eastern Carolina Council of Government | | | | | |
| Administered by the County Department of Social Services | | | | | |
| In-house Services 90% State Funds: | | | | | |
| Senior Center : | | | | | |
| HCCBG - Access | | | - | 30,173 | 3,353 |
| HCCBG - In Home Support | | | - | 106,722 | 11,858 |
| HCCBG - In Home Support | | | - | 32,794 | 3,644 |
| HCCBG Congregate Meals | | | - | 16,328 | 1,814 |
| HCCBG - Home Delivered Meals | | | - | 8,310 | 923 |
| Operation Fan | | NC-15 | - | 393 | - |
| | | | - | 194,720 | 21,592 |
| Division of Public Health: | | | | | |
| Administered by County Health Department: | | | | | |
| AIDS | | | - | 500 | - |
| Communicable Disease | | | - | 1,756 | - |
| Environmental Health | | | - | 20,417 | 891,200 |
| General | | | - | 22,139 | - |
| Risk Reduction/ Health Promotion | | | - | 10,768 | - |
| TB Medical Services | | | - | 1,529 | - |
| Tuberculosis | | | - | 10,964 | 71,261 |
| | | | - | 68,073 | 962,461 |
| Division of Child Development: | | | | | |
| Passed through Carteret County Partnership for Children | | | | | |
| Smart Start | | | - | 32,337 | - |
| Total NC Department of Health and Human Services | | | - | 1,087,956 | 2,178,241 |

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
 Year Ended June 30, 2006

| | CFDA Number | Grantor's Number | Expenditures | | |
|---|----------------|---------------------|--------------|-----------|---------|
| | | | Federal | State | Local |
| NC Department of Environment and Natural Resources: | | | | | |
| Natural Resources Division: | | | | | |
| Passed through County Finance Office: | | | | | |
| White Goods Disposal | | | \$ - | \$ 24,404 | \$ - |
| Scrap Tire Disposal | | | - | 63,268 | - |
| | | | - | 87,672 | - |
| Division of Water Quality: | | | | | |
| Atlantic Harbor Entrance Dredging | | | - | 48,000 | 12,000 |
| Division of Parks and Recreation: | | | | | |
| Administered by the County Parks and Recreation Department | | | | | |
| Mariners Park | | | - | 20,042 | 20,042 |
| Radio Island Park | | | - | 28,599 | 28,599 |
| | | | - | 48,641 | 48,641 |
| Total NC Department of Environment and Natural Resources | | | - | 184,313 | 60,641 |
| NC Department of Crime Control and Public Safety: | | | | | |
| Division of Emergency Management | | | | | |
| Administered by the County Emergency Services Department | | | | | |
| Emergency Management Performance Grant | | | - | 21,686 | 43,228 |
| NC Department of Corrections: | | | | | |
| Administered by the County Finance Office: | | | | | |
| Criminal Justice Partnership Program | | | - | 68,557 | - |
| NC Department of Administration: | | | | | |
| Division of Veterans Affairs: | | | | | |
| Administered by County Veterans Services: | | | | | |
| Veterans Services | | | - | 2,000 | 174,337 |
| State Board of Elections | | | | | |
| Administered by Elections Services: | | | | | |
| Maintenance Grant | | | - | 1,318 | - |
| Other: | | | | | |
| Counseling Sexual Assault/ Rape Crisis | | 016-1-04-021-AV-14 | - | 29,040 | 7,260 |
| Smart Start Grant Rape Crisis | | | - | 8,820 | - |
| Sexual Assault Grant Rape Crisis | | | - | 15,530 | 1,553 |
| Domestic Violence | | | - | 45,907 | 11,477 |
| Marriage License | | | - | 7,515 | 7,515 |
| ESGP | | | - | 6,666 | 6,666 |
| Total NC Department of Administration | | | - | 116,796 | 208,808 |

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
 Year Ended June 30, 2006

| | CFDA Number | Grantor's Number | Expenditures | | |
|--|----------------|---------------------|----------------------|----------------------|---------------------|
| | | | Federal | State | Local |
| NC Department of Public Instruction: | | | | | |
| Public School Bond Fund | | | | | |
| Administered by the County Finance Department | | | | | |
| Public School Building Capital Fund | | | \$ - | \$ 355,000 | \$ 1,250,000 |
| NC Department of Transportation | | | | | |
| DOT ROAP Grant | | | - | 116,658 | 126,661 |
| DOT Transportation Coordinator Grant | | DOT-16CL | - | 28,693 | 2,870 |
| | | | - | 145,351 | 129,531 |
| NC Health & Wellness Trust Fund | | | | | |
| Administered by Carteret County Aging Department | | | | | |
| Prescription Asst./ Medical Management | | 536401007 | - | 29,576 | - |
| NC Department of Commerce | | | | | |
| Administered by Carteret County Finance Department | | | | | |
| Economic Development Grant | | | - | 50,000 | 50,000 |
| Marine Aquaculture Grant | | | - | 57,732 | - |
| | | | - | 107,732 | 50,000 |
| Total Federal Expenditures | | | <u>\$ 44,140,209</u> | | |
| Total State Expenditures | | | | <u>\$ 18,481,481</u> | |
| Total Local Expenditures | | | | | <u>\$ 8,868,715</u> |

See Notes to Schedule of Federal and State Awards.

Carteret County, North Carolina

Notes to Schedule of Expenditures of Federal and State Awards Year Ended June 30, 2006

Note 1. General

The accompanying schedule of expenditures of federal and state awards represents only the activity of all federal and State financial grant activity of Carteret County, North Carolina, primary government. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act.

Note 2. Basis of Accounting

The accompanying schedule of expenditures of federal and state awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the County's basic financial statements, except for "benefit payments" made by the State of North Carolina directly to eligible program beneficiaries and the value of food stamps and WIC vouchers distributed, which are not included as expenditures in the fund financial statements, are included herein.

Note 3. Relationship to Fund Financial Statements

All federal and State financial award programs (other than direct benefit payments - see Note 2) are accounted for in the County's governmental funds.

Note 4. Program Clusters

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 Aging.

Note 5. Loans Outstanding

The County has outstanding loan balances from federal and State funding sources that will not be required to be presented within the schedule of expenditures of federal and State awards in future years because there are no continuing requirements beyond the repayment of the loan balances in accordance with loan agreement provisions. The loan funds are presented in the schedule in the year of their expenditure. The outstanding balance of the Drinking Water State Revolving Fund at June 30, 2006 was \$3,327,544.