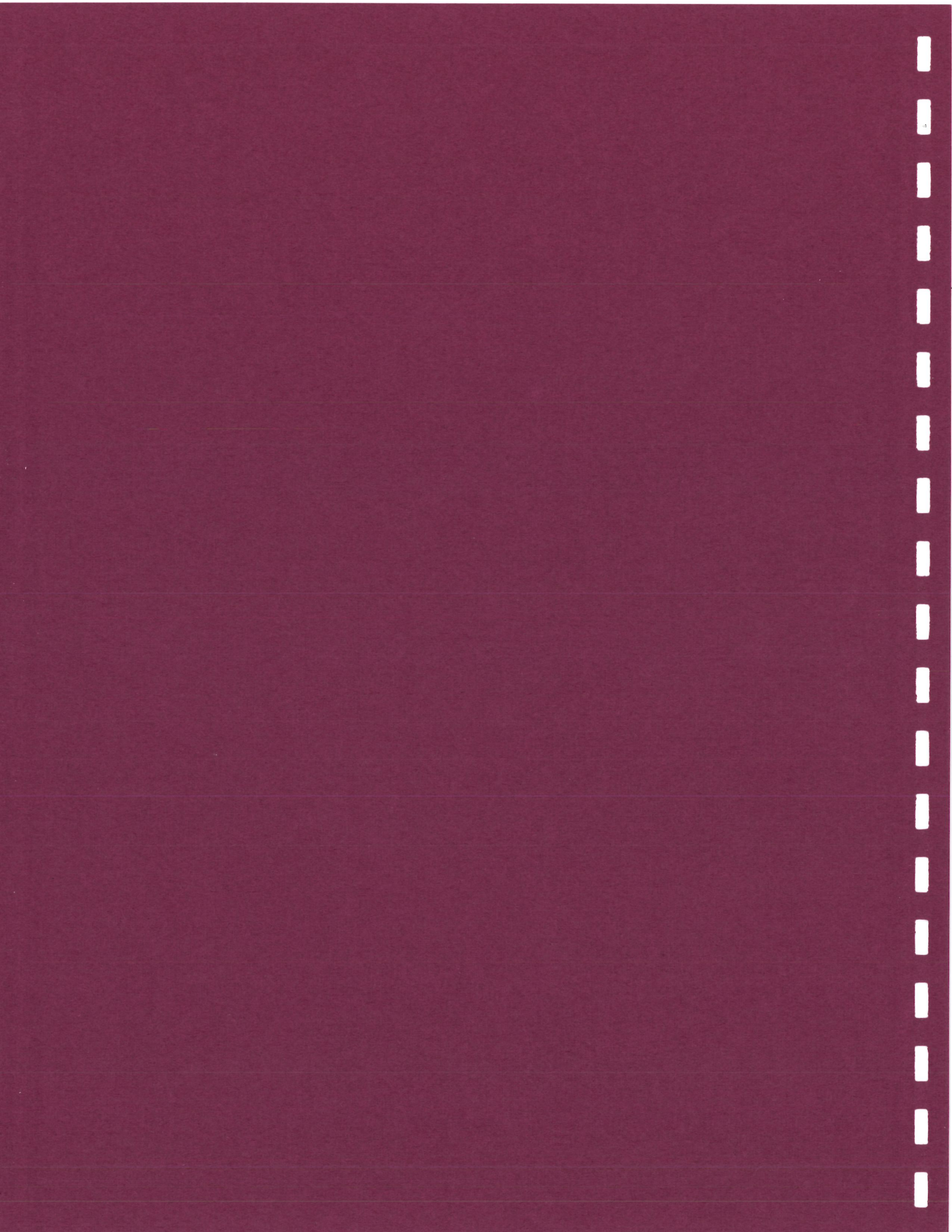


CARTERET COUNTY
NORTH CAROLINA

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2002



CARTERET COUNTY
NORTH CAROLINA

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2002

Prepared By Finance Department
Dee Harris, Finance Director

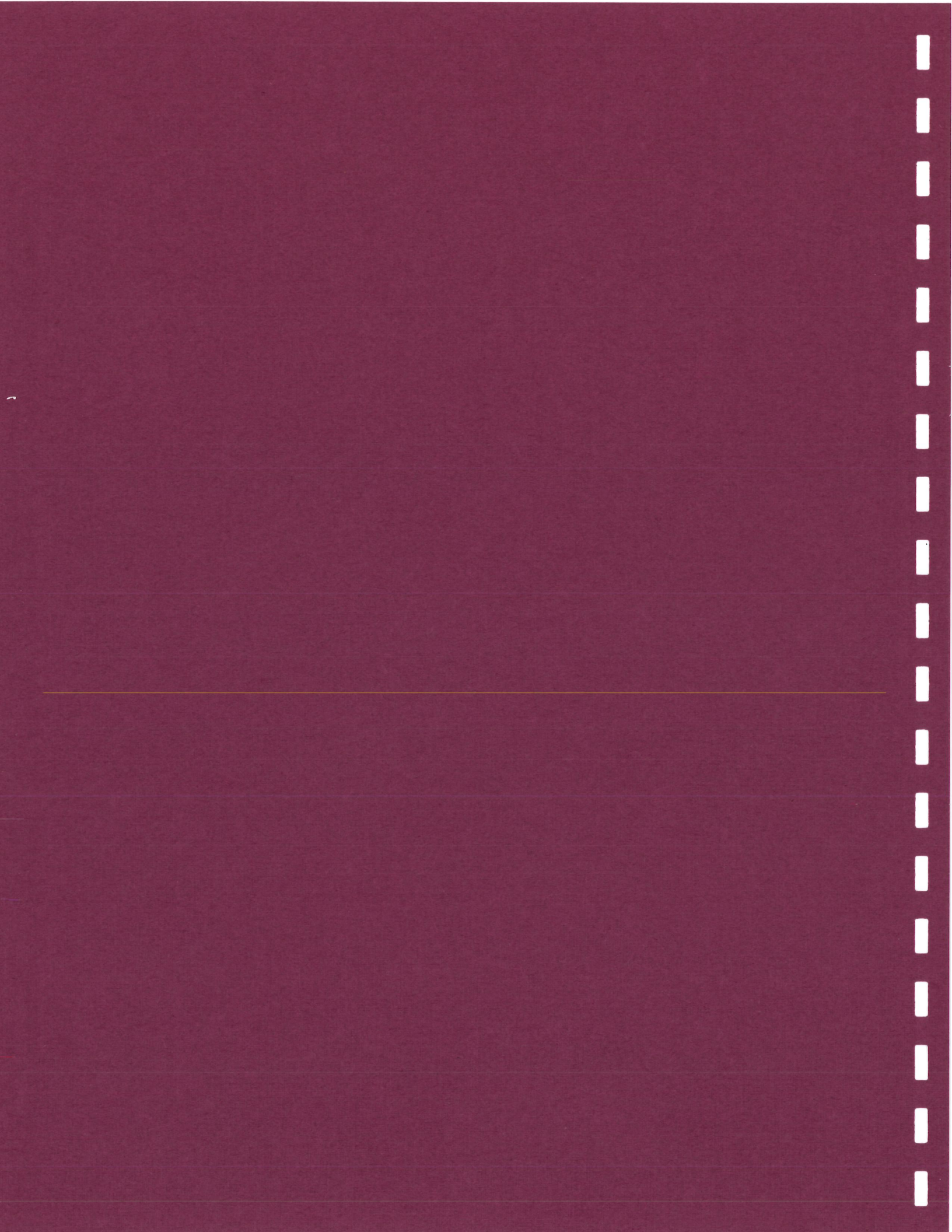


TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)		Page
Letter of Transmittal		1 - 9
List of Principal Officials		10
Organizational Chart		11
Map of Carteret County		12
GFOA Certificate of Achievement		13
FINANCIAL SECTION		
Independent Auditor's Report		15 - 16
General Purpose Financial Statements:		
Combined Balance Sheet - All Fund Types and Account Groups and Discretely Presented Component Units		18 - 19
Combined Statement of Revenue, Expenditures and Changes in Fund Balances, All Governmental Fund Types and Discretely Presented Component Units		20 - 21
Combined Statement of Revenue, Expenditures and Changes in Fund Balances, Budget and Actual, All Governmental Fund Types For Which Annual Budgets Have Been Adopted		22 - 23
Combined Statement of Revenue, Expenses and Changes in Retained Earnings - Discretely Presented Component Units		24
Combined Statement of Cash Flows, Discretely Presented Component Units		25
Notes to Financial Statements		27 - 62
Supplementary Information:		
<i>General Fund:</i>		
Statement of Revenue, Expenditure and Changes in Fund Balances, Budget and Actual		63 - 72
<i>Special Revenue Funds:</i>		
Combining Balance Sheet		74 - 75
Combining Statement of Revenue, Expenditures and Changes in Fund Balances (Deficits)		76 - 77
Schedule of Revenue, Expenditures, and Changes in Fund Balance (Deficit) Budget and Actual:		
Rescue Squad		78
Fire District Fund		79
Emergency 911 Fund		80
Occupancy Tax Fund		81
CDBG Rehabilitation Fund		82
Industrial Park Fund		83
CDBG Jarrett Bay Fund		84
1997 Fran DRI Grant Fund		85
Salter Path District Fund		86
CDBG Laurel Road Fund		87
1998 Bonnie Dri Grant Fund		88

TABLE OF CONTENTS

	<u>Page</u>
<i>Capital Project Funds:</i>	
Combining Balance Sheet	90 - 91
Combining Statement of Revenue, Expenditures and Changes in Fund Balances	92 - 93
Schedule of Revenue, Expenditures and Changes in Fund Balance, Budget and Actual:	
County Capital Reserve Fund	94
County Capital Improvement Fund	95
Newport Middle School COPS Fund	96
School Projects Fund	97
School Special Projects Fund	98
Hwy 101 Water Project Fund	99
Health Center Renovations Fund	100
Western Library Fund	101
 <i>Agency Funds:</i>	
Combining Balance Sheet	103
Combining Statements of Changes in Assets and Liabilities	104
 <i>Other Financial Information:</i>	
Schedule of Ad Valorem Taxes Receivable	105
Analysis of Current Year's Tax Levy	106
<hr/> STATISTICAL SECTION (Unaudited) <hr/>	
General Governmental Expenditures, by Function - Last Ten Fiscal Years (Table 1)	107
General Governmental Revenue, by Source - Last Ten Fiscal Years (Table 2)	108
Property Tax Levies and Collections - Last Ten Fiscal Years (Table 3)	109
General Fund Balance Position - Last Ten Fiscal Years (Table 4)	110
Assessed Value of Property - Last Ten Fiscal Years (Table 5)	111
Property Tax Rates - Direct and Underlying Governments- Last Ten Fiscal Years (Table 6)	112
Ratio of General Obligation Debt to Assessed Value and General Obligation Bonded Debt Per Capita - Last Ten Fiscal Years (Table 7)	113
Computation of Legal Debt Margin (Table 8)	114
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures (Table 9)	115
Computation of Direct and Underlying Debt - General Obligation Bonds (Table 10)	116
Demographic Statistics - Last Ten Fiscal Years (Table 11)	117
Ten Largest Taxpayers (Table 12)	118
Property Value, Construction, and Bank Deposits - Last Ten Fiscal Years (Table 13)	119
Miscellaneous Statistics (Table 14)	120

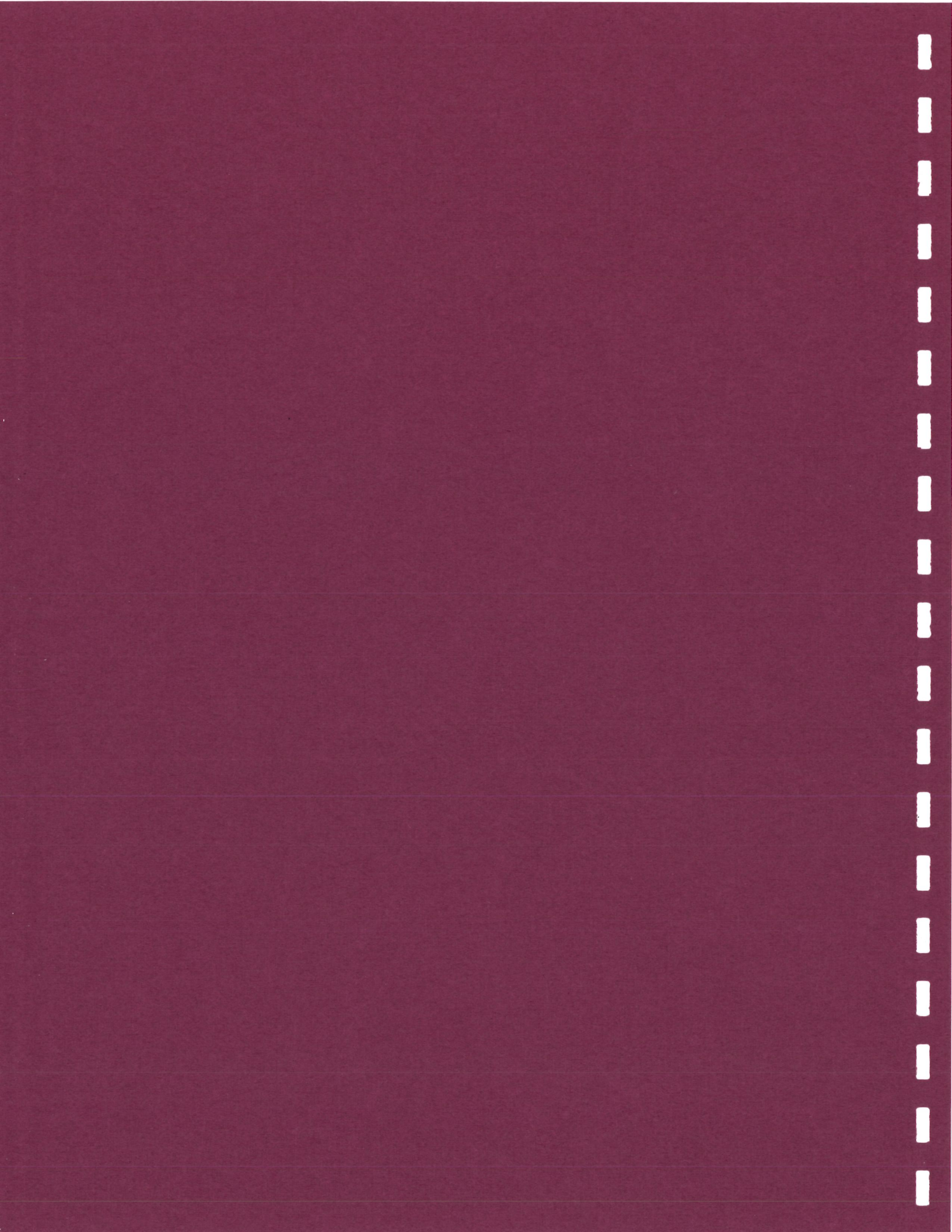
TABLE OF CONTENTS

COMPLIANCE SECTION	Page
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	121 - 122
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	123 - 124
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	125 - 126
Schedule of Findings and Questioned Costs	127 - 129
Corrective Action Plan	130
Status of Prior Audit Findings	131
Schedule of Expenditures of Federal and State Awards	132 - 138

THIS PAGE WAS INTENTIONALLY LEFT BLANK

INTRODUCTION

The Introduction includes a summary of the major highlights of the report.



Carteret County Finance

Denise K. Harris, CPA
Finance Director

Tel: (252) 728-8410
Fax: (252) 728-2092



October 17, 2002

To the Citizens of Carteret County:

We are pleased to submit the Carteret County Comprehensive Annual Financial Report for the fiscal year ended June 30, 2002. The independent, certified public accounting firm of McGladrey & Pullen, LLP has audited the financial statements and supplemental information contained herein. Their unqualified opinion on the financial statements is included in the financial section. However, the responsibility for both the data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the following data is accurate in all material aspects. Information is reported in a manner designed to present fairly the financial position accurate in all material aspects. Information is reported in a manner designed to present fairly the financial position and results of operation of the County as measured by the financial activity of its various funds and account groups. All disclosures necessary to enable the reader to gain the maximum understanding of the county's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: Introductory, Financial, Statistical, and Compliance. The Introductory section includes this transmittal letter, list of principal officials, the County's organizational chart, and map of Carteret County. The Financial section includes statements and schedules for all funds and account groups, notes to the combined financial statements, and the auditor's report on these statements, schedules, and notes. The Statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Amendments of 1996 and US Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Information related to this report on compliance with requirements applicable to major programs and internal controls over compliance, is included in the Compliance section in this report.

The financial reporting entity includes all the funds and account groups of the primary government (Carteret County), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. Discretely presented component units are reported in a separate column in the general purpose financial statements to emphasize that they are legally separate from the primary government and to distinguish their financial position, results of operations, and cash flows from those of the primary government. Carteret General Hospital, Carteret County ABC Board, Morehead-Beaufort Airport Authority, and Carteret County Tourism Authority are reported as discrete component units.

Description of the County

Carteret County is a growing county located on the central coastline of North Carolina with approximately 62,000 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.

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.

Economic Conditions and Outlook

The County economy continues its successful transition from a seasonal economy dependent on tourism to a diversified, year-round economy. Annual unemployment average was 4.98% for the County.

Although the tourism industry continues to perform well, with an average annual economic impact of \$210 million, much of the improvement in the economy is attributable to the diversification of the economy into manufacturing, distribution, research, and the construction trades. The Jarrett Bay Marine Industrial Park continues to expand with Gregory Poole and ZF Marine Group locating there. ZF Marine Group is the world's largest supplier of marine transmissions and propulsion systems and is operating a sales and service facility. In addition, Parker Marine and Vaneer Technology expanded and created more jobs in the county. Also, there has been expansion and investment in retail and service. New investment includes strip shopping malls in Morehead City and several restaurants in the county.

Although Carteret County no longer boasts the lowest property tax rate in North Carolina, the county's tax rate is still among the state's lowest. The County's rapidly growing residential, commercial and industrial tax base, together with an efficient county government, should reduce a portion of the need for additional tax increases.

Major Initiatives

In November 2000, voters approved a \$7.6 million referendum for the community college. In addition, a state wide referendum of approximately \$3.3 billion passed in November. Out of the \$3.3 billion, over \$5.6 million is dedicated to Carteret County Community College. The two bonds combined provide the community college with over \$13 million for a classroom replacement building and a marine trades education center. The County plans to issue the \$7.6 million in general obligation bonds in December 2002.

In April 2000, Carteret County issued a \$14.5 million COPs to construct a new middle school in Newport. This school opened in August 2001. The Board of Commissioners approved the financing and construction of a new Beaufort Elementary School. This will replace a 40 year old school, and construction is anticipated to be completed December 2003. The total cost of the school is \$9 million with \$7 million in COPs proceeds from the County and \$2 million in state critical needs funds.

In 2000, Carteret County was awarded \$2,969,280 in state funds from a high unit cost grant, and there is a \$630,000 loan from state loan funds awaiting final approval. This Highway 101 water project will be an expansion of the County's small water system. Approximately 460 customers will be served. The project funds construction of a water treatment plant and 23.3 miles of water distribution lines. It is anticipated the County will begin servicing the new customers in January 2003.

During fiscal year 2001, the County purchased land and a building to renovate for a new health center facility. Carteret County Health Department and Neuse Mental Health will occupy the building. Renovations will be completed in November 2002.

The Board of Commissioners approved financing the construction for the Western Library. The building will be approximately 9,000 square feet. This is a joint project with the County, municipalities, and the Friends of the Library. The funding sources are as follows: Friends of the Library, \$250,000, and the Towns of Emerald Isle, Cape Carteret, Cedar Point, Bogue, and Peletier contributing \$100,000, and the County.

Departmental Focus

Each year in the transmittal letter to this report, the accomplishments of a single county department for that year are highlighted. This year the Health Department has been given this opportunity.

The mission of the Carteret County Health Department is to promote and protect the highest standards of healthy living for all county citizens. The Department endeavors to provide core services as outlined in our State's General Statutes. In addition to providing core services, that include Maternal Health, Maternity Care Coordination, Immunization, Child Service Coordination, Health Education, and Environmental Health, we are proud of the following accomplishment in 2002. Our clinical staff administered Hepatitis B Vaccine to 76% of County sixth-graders. They also participated in the Brighter Living Expo held at the Civic Center, became members of the County Bio-Terrorism Team and participated in County as well as Regional Exercises.

In addition to required services; Food & Lodging inspections, Site inspections, Monitoring Wells, etc, Environmental Health Staff were active in working with Animal Control in assessing the status of West Nile Virus and EEE by being available to them on an "on-call" basis to pick up dead birds to be sent to State Lab for assessment. The Staff has also worked hard to develop a new application process that will streamline the paperwork between them and the Planning Department as well as other county municipal building inspection offices. Other accomplishments include: completion of draft rules for local wells, help to oversee renovation of new Health Department, worked with the State and Commission of Health Services on producing a new seasonal wetness monitoring procedure. We are also proud of the fact that in 2002 two of our staff completed 25 and 30 years of service, a Program specialist was appointed by the Governor of North Carolina to the NC State Board of Sanitarian Examiners, another was chosen to go to a National Conference on Asthma in Minnesota, and our staff has offered several workshops and classes including free indoor air quality assessments.

The combination of the rest of our staff; Health Education, Management Support and Administration, have all worked together to accomplish the Start-up of our Mobile Dental Program, which consisted of hiring a Dentist, Office Manager and a Dental Assistant. We have also offered continuing education classes to child care providers by participating in Professional Development Program sponsored by Carteret County Partnership for Children, Served on the initial Advisory Board for the start-up of the More At Four Program, and served on the Mental Health Advisory Board.

Financial Information

Accounting System and Budgetary Control

The budget is an integral part of a governmental unit's accounting system and daily operations. An annual or project budget ordinance, as amended by the governing body, creates a legal limit on spending authorizations. Each year, in accordance with North Carolina State Statutes, an annual balanced budget is legally adopted by the Board of Commissioners for the following funds: General, School Special Projects, County Capital Reserve, County Capital Improvements, Rescue Squad Districts, Fire Districts, Emergency 911, Occupancy Tax, and Salter Path Special District. Multiyear project budgets are adopted for the CDBG Rehabilitation, Jarrett Bay CDBG, Industrial Park, 1997 Fran DRI Grant, 1998 Bonnie DRI Grant, CDBG Laurel Road Grant, School Projects, Newport Middle COPS, Highway 101 Water Project, the Health Center Renovations Project, and the Western Library Project Funds. Budgetary controls are established to ensure compliance of all legal provisions included in the budget ordinance. For County general and special revenue funds, budgetary control is established at the departmental level. However, for internal control purposes, the budget is maintained at the line item level. In accordance with state statute, the county uses encumbrance accounting in all governmental funds. Encumbrances outstanding at the end of the fiscal year are reported as reservations of fund balances. Purchase orders, which would create an over encumbrance, are not approved until an additional appropriation is made through a budget amendment. The County

Manager is authorized to approve line item transfers within a department, and may approve transfers between departments of the same fund in an amount not to exceed \$20,000.

In accordance with state statutes, the County's budget is prepared on the modified accrual basis, and its accounting records are maintained on that basis. Under modified accrual accounting, revenue is recognized when it becomes both measurable and available. Expenditures are recorded when a liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

The responsibility for establishing and maintaining a strong internal control structure rests with the management of Carteret County. This internal control structure is designed to provide reasonable, but not absolute assurance regarding (1) that the assets of the County are protected from loss, theft, or misuse; (2) that reliable financial records are available to prepare financial statements in accordance with generally accepted accounting principles; and (3) compliance with applicable laws and regulations related to federal and state financial assistance programs. The concept of reasonable assurance provides that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management.

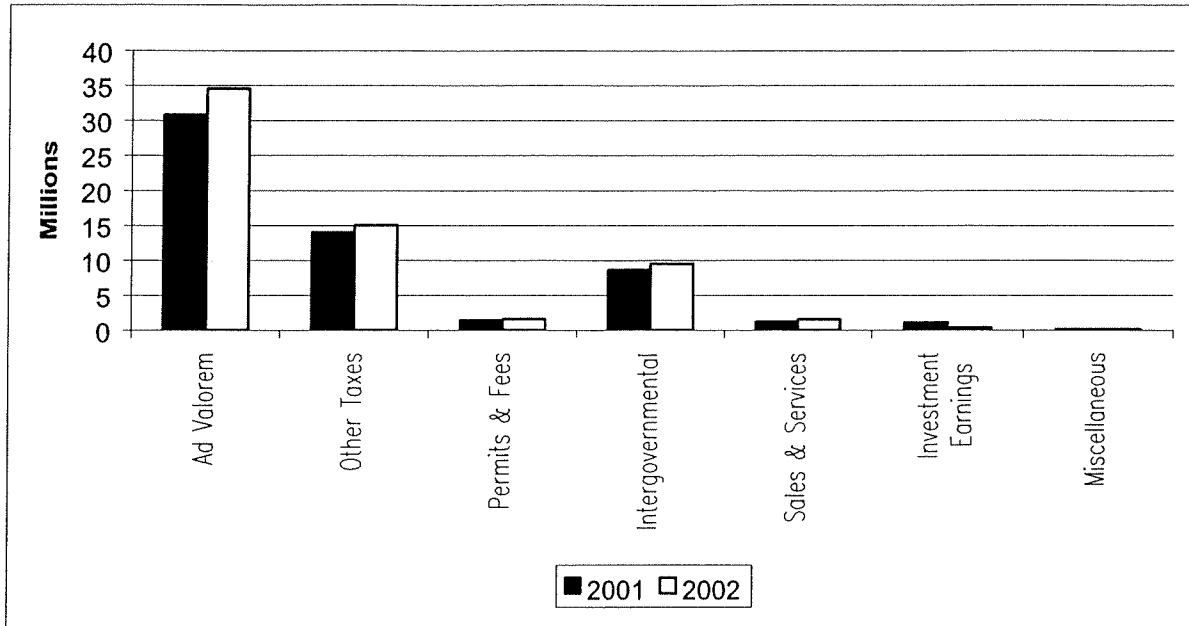
All internal control evaluations occur within the above framework. We believe that the County's internal accounting controls adequately protect assets and provide reasonable assurance of the proper recoding of financial transactions. As a part of the County's single audit, the independent auditor performed a review of the County's internal control structure. This review was not an audit and not opinion was issued on the County's internal control structure; the procedures performed by the independent auditor did not indicate any material internal control weaknesses.

General Government Functions

General government revenues in annual budgeted funds totaled \$62,837,331, an increase of 9.54 percent over the previous fiscal year. Revenues by source for the Governmental Funds were as follows:

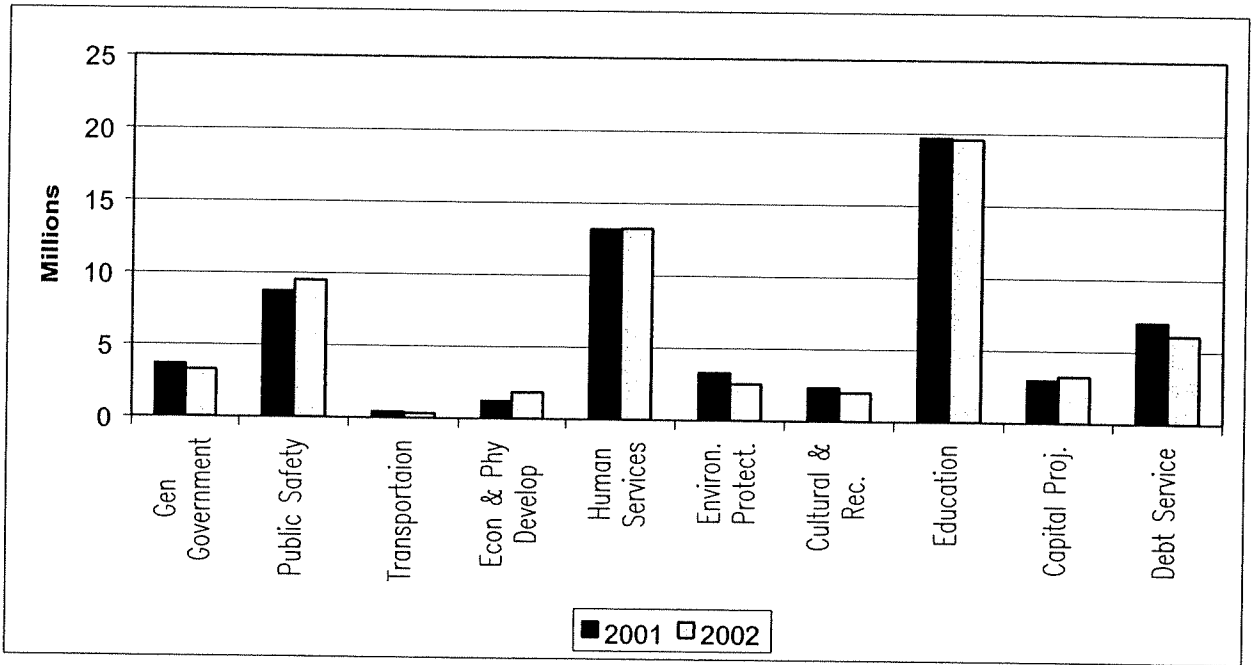
Revenues *	Percent of Total	Fiscal Year Ended June 30, 2002	Fiscal Year Ended June 30, 2001	Increase (Decrease)	Percent Increase (Decrease)
Ad Valorem Taxes	54.99%	\$34,552,936	\$30,819,589	\$3,733,347	12.12%
Other Taxes & Licenses	23.97%	15,059,252	14,023,012	1,036,240	7.39%
Permits & Fees	2.55%	1,602,838	1,423,786	179,052	12.58%
Intergovernmental	15.16%	9,521,296	8,615,850	905,446	10.51%
Sales & Services	2.50%	1,567,251	1,236,249	331,002	26.78%
Investment Earnings	.55%	358,359	1,117,627	(759,268)	(67.94)%
Miscellaneous	.28%	175,399	132,050	43,349	32.83%
Total	100.00%	\$62,837,331	\$57,368,163	\$5,469,168	9.54%

* Includes annually budgeted funds: General, E-911, Fire Districts, Rescue Districts, Occupancy, Salter Path District, Capital Reserve, Capital Improvements, and School Special Projects Funds.



Property taxes provide the County's primary source of revenue. Approximately \$3.5 million of the ad valorem increase is due to the General Fund tax increase. The County's 2001 revaluation was effective this fiscal year, and property values increased approximately 28%. A revenue neutral tax rate compared to the fiscal year 2001 would have been 39 cents. The Board of Commissioners set a 44 cent tax rate. The Board of Commissioners expanded services very little from the prior year, and most of the additional revenue was needed due to lost revenues and the reduction in fund balance in the prior year. In fiscal year 2001 the County utilized almost \$4 million in fund balance on project needs and education. In fiscal year 2002, the Board stopped its reliance on fund balance. Most of the increase in other taxes and licenses occurred in the occupancy tax fund. In January 2002, legislation became effective increasing the occupancy tax rate from 3% to 5%. This generated approximately \$1 million additional revenue. Intergovernmental increased due to various grants to the County. The most significant grant was to the County Health Department for \$453,000 designated to start a dental program for Medicaid children. Investment earnings decreased significantly due to interest rates dropping as well as the County's reserves decreasing from the prior year.

Expenditures	Percent of Total	Fiscal Year Ended June 30, 2002	Fiscal Year Ended June 30, 2001	Increase/ (Decrease)	Percent Increase/ (Decrease)
General Government	5.33%	\$3,290,839	\$3,646,451	\$(355,612)	(9.76%)
Public Safety	15.40%	9,500,776	8,734,138	766,638	8.78%
Transportation	.53%	332,365	424,564	(92,199)	(21.72)%
Environmental Protection	4.13%	2,547,719	3,303,036	(755,317)	(22.87)
Economic & Physical Development	2.98%	1,835,919	1,222,167	613,752	50.22%
Human Services	21.51%	13,261,242	13,179,127	82,115	.63%
Cultural & Recreation	3.23%	1,988,228	2,320,777	(332,549)	(14.33)%
Education	31.74%	19,570,613	19,679,070	(108,457)	(.56)%
Capital Projects	5.27%	3,245,972	2,961,739	284,233	9.60%
Debt Service	9.88%	6,099,780	6,996,525	(896,745)	(12.82)%
Total	100.00%	\$61,673,453	\$62,467,594	\$(794,141)	(1.28)%



In fiscal year 2002, general government decreased 9.76% from the prior year due to decreases in capital expenditures. The increases in public safety from the prior year are mostly due to increases in the rescue and fire district funds. The ad valorem taxes collected in these districts are distributed to the rescue and fire district for these services. Approximately \$200,000 of the increase is for paramedic services in the eastern part of the County. This was the first year the County funded paramedic services to assist the rescue districts. In fiscal year 2002-2003, this service has been expanded to the western part of the county. Transportation decreased from the prior year because CCATS vans were replaced last fiscal year and replacement was not needed this year. Environmental protection decreased from the prior year due categorizing environmental health in the human services category rather than in environmental protection. Economic and physical development increased 50.22%. This is the first year the County funded a Shore Protection Department, and thus accounts for the increase. The funding for this department is occupancy tax. Cultural and recreation decreased 14.33%. The decrease is from delaying capital projects. The largest project delayed was park lighting improvements at Swinson Park. Education has a slight decrease from the prior year. In fiscal year 2001, the County purchased land for the Community College. This decrease in capital more than offset the \$800,000 increase in education operating expenditures in fiscal year 2002. Capital projects increased from the prior year due the County School System completing many projects funded in the prior year. Also, the County completed the development of Western Park. Debt service decreased from the prior year because the 1991 COPs for the Department of Social Services building and the County Jail was paid off in the previous year.

Fund Balance in the General Fund

The General Fund ended the fiscal year with a total fund balance of \$14,009,776 in comparison to the June 30, 2001 balance of \$12,175,997. This represents a 15.06% increase. The unreserved and undesignated fund balance for the year ended is \$7,731,989, compared to \$6,196,087 the year before. The County's undesignated fund balance percentage to general fund expenditures is 14.38%, a 3.19% increase from the prior year. This percentage for undesignated fund balance to general fund expenditures is in line with the guidelines set by the Department of State Treasurer for similar sized counties. Management tries to maintain two months of expenditures in unreserved, undesignated fund balance.

Debt Administration

At the close of the fiscal year, Carteret County had a number of debt issues outstanding. The bond rating of the County at June 30, 2002 was an Aa3 from Moody's Investor Service, AA- with Fitch Investors Service, and A+ with Standard & Poor's. Under current state statutes, the County's general obligation bonded debt issuances are subject to a legal limitation of an amount equal to 8 percent of total assessed value of real and personal property less current or amortized debt. As of June 30, 2002, the County's net general obligation bonded debt of \$25,150,000 is well below the legal debt limit of \$574,813,052. Per capita debt for the County as of June 30, 2002 was \$403.52. A schedule of the total outstanding general obligation bonds, certificates of participation, capital leases, installment notes, and accrued vacation pay is presented below:

		<i>Debt Outstanding as of June 30, 2002</i>
<i>General Obligation Bonds</i>		
1995 Public Improvement Bonds	\$7,500,000	
1996 School Buildings Bonds	<u>17,650,000</u>	\$25,150,000
<i>Certificates of Participation</i>		
1992 COPS- Morehead Primary School	3,570,000	
2000 COP – Newport Middle School	<u>13,055,000</u>	16,625,000
<i>Installment Purchases</i>		
Tax & Finance System	287,659	
Health Center Building	1,345,234	
Community College Land	329,160	
Health Center Renovations	<u>3,000,000</u>	4,962,053
<i>Accrued Vacation & Compensatory Time</i>		
Vacation Pay		535,029
Compensatory Time		31,160
Net pension obligation		<u>61,603</u>
Total Debt Outstanding		<u>\$47,364,845</u>

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 earning. Idle cash is invested using competitive bidding among all banks with investments awarded based on the highest yield. Total investment earnings for the governmental fund types with annual budgets for the year were \$358,359.

Risk Management

Carteret County provides protection from liability and casualty risks through commercial coverage. Property and casualty and workers' compensation coverage is carried through a commercial insurance carrier. General and auto liability (\$1,000,000), public officials liability(\$1,000,000), law enforcement liability (\$1,000,000), property damage (replacement cost coverage on all real property improvements and contents, and actual cash value coverage on vehicles and mobile equipment). Also, the County's health insurance is provided through a commercial carrier.

Other Information

Independent Audit

North Carolina General Statutes require the County to provide for an annual independent audit for the accounts and financial transactions of the County by a firm of independent certified public accountants. The Board of Commissioners designated McGladrey & Pullen, LLP to meet these requirements, and their report follows as an integral part of this report. McGladrey & Pullen was also designated by the Board of Commissioners to express and opinion on the County's compliance with the requirements of the federal Single Audit Amendment of 1996 and related OMB Circular A-133. The auditor's report on the general purpose financial statements, combining and individual fund statements, and schedules are included in the financial section of this report. The auditor's reports, relating specifically to the requirements of the single audit, are included in the compliance section of this report.

Awards


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, 2001. 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 standard. This report 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.

Acknowledgments

In summary, this comprehensive annual financial report provides a source of information to citizens, the Board of Commissioners, 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, without whose dedicated assistance this report could not have been produced. Gratitude goes to the Board of Commissioners and the County Manager for their continued support throughout the past year.

Sincerely,



Dee K. Harris
Finance Director

CARTERET COUNTY, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2002

**BOARD OF
COMMISSIONERS**

DOUG BRADY
Chair
Morehead City, North Carolina

BETTIE BELL
Newport, North Carolina

JONATHAN ROBINSON
Vice Chair
Atlantic, North Carolina

DAVE FOWLER
Emerald Isle, North Carolina

DAVID WHEATLY
Beaufort, North Carolina

JIMMY LASHAN
Newport, North Carolina

MAC WELLS
Morehead City, North Carolina

COUNTY OFFICIALS

John Whitehurst

Interim County Manager

Dee K. Harris

Finance Director

Ralph Thomas, Jr.

Sheriff

Melanie Arthur

Register of Deeds

Mike Addertion

Emergency Management Director

J.T. Garrett

Health Director

Katrina Marshall

Planning & Central Permit Director

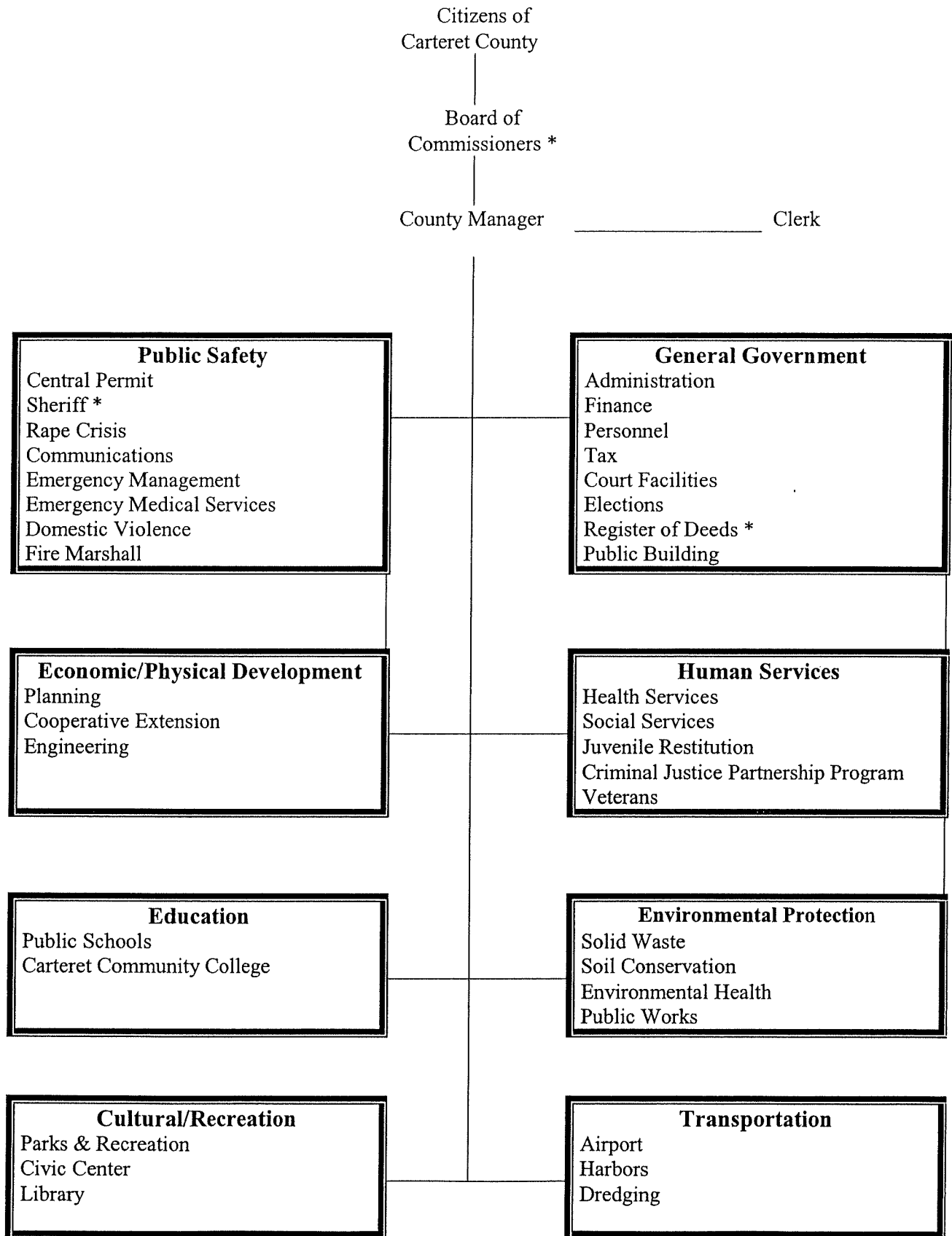
Robert Eason

Social Services Director

Patsy Hardesty

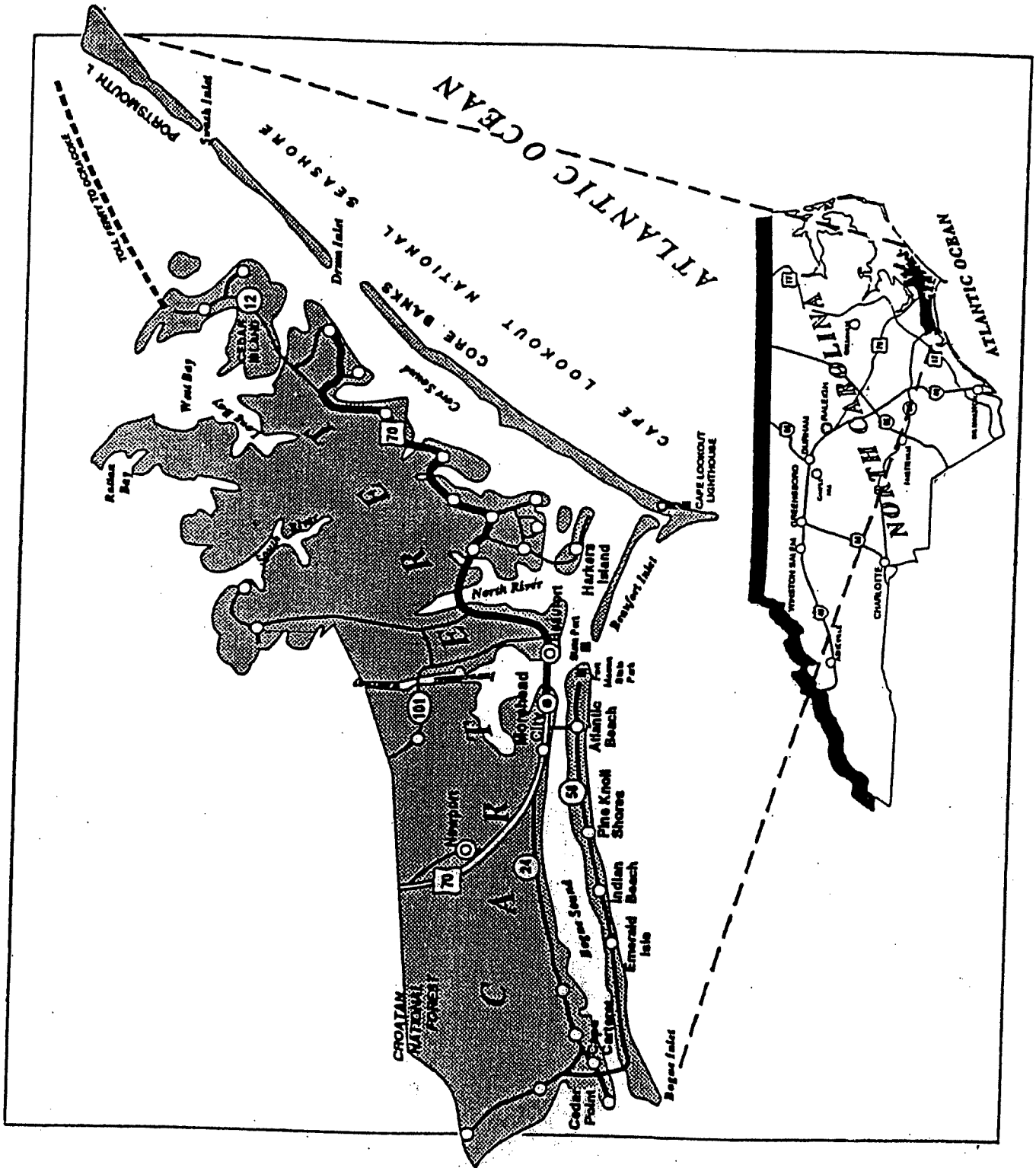
Elections Director

Carteret County, North Carolina Organizational Chart



* Elected Officials

MAP OF CARTERET COUNTY, NORTH CAROLINA



GFOA CERTIFICATE

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, 2001

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.



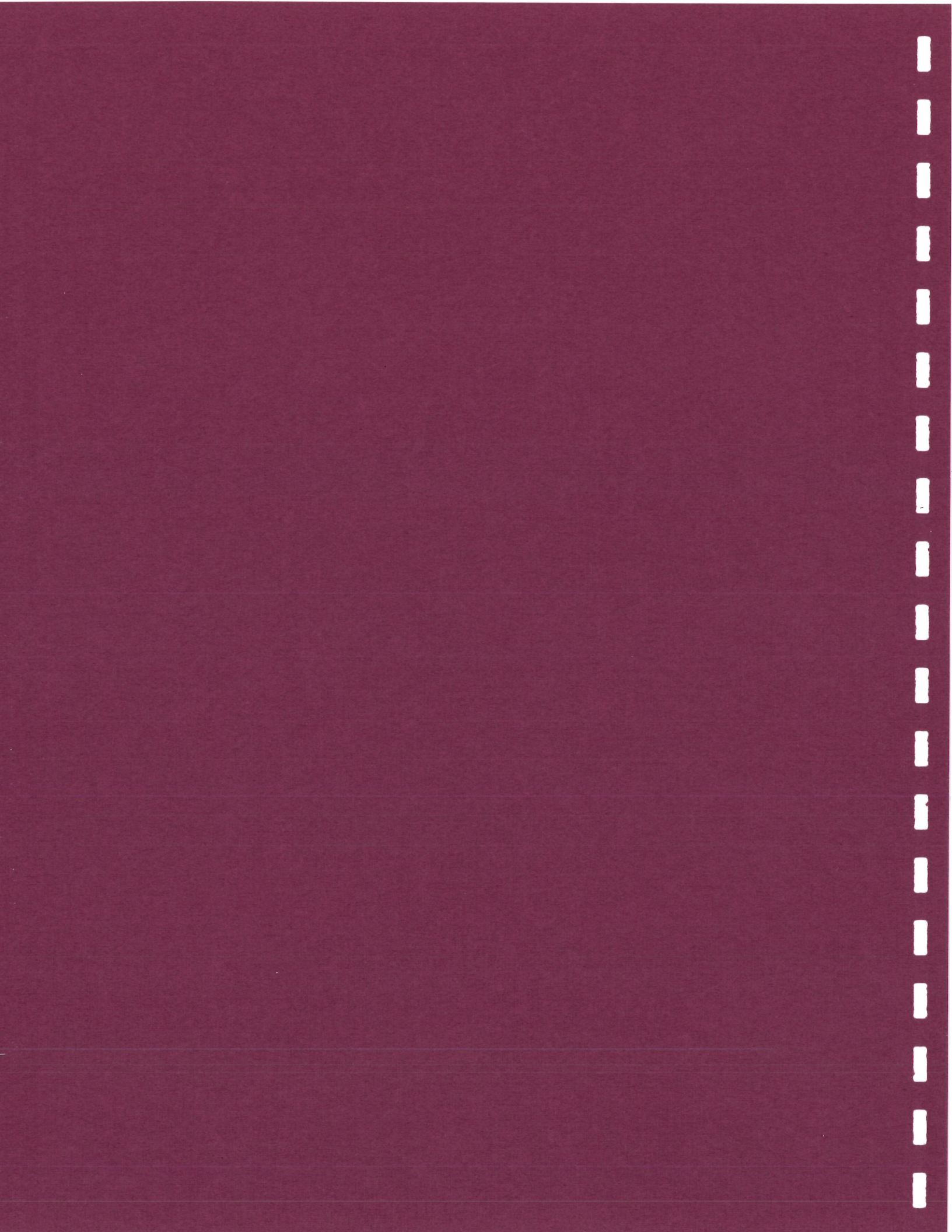
Imelda Aruete
President

Jeffrey L. Esser
Executive Director

THIS PAGE WAS INTENTIONALLY LEFT BLANK

GENERAL PURPOSE FINANCIAL STATEMENTS

The General Purpose Financial Statements provide a summary of the financial position of Carteret County. These include all funds, account groups, discretely presented component units and the operating results by fund types. These statements also serve as an introduction to the more detailed statements and schedules that follow.



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of Carteret County, North Carolina, as of and for the fiscal year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of Carteret County, North Carolina's management. Our responsibility is to express an opinion on these general purpose 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 General Hospital Corporation. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the general purpose financial statements, insofar as it relates to the amounts included for Beaufort-Morehead City Airport Authority, Carteret County Tourism Development Authority, Carteret County ABC Board and Carteret General Hospital Corporation, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. The financial statements of Carteret County ABC Board, Carteret General Hospital Corporation and Beaufort-Morehead City Airport Authority 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 general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Carteret County, North Carolina, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type 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 a report dated September 13, 2002 on our consideration of Carteret County, North Carolina's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

McGladrey & Pullen, LLP
is an independent member
firm of RSM International,
an affiliation of independent
accounting and consulting firms.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and other schedules, listed in the table of contents as supplementary information, as well as 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, listed in the table of contents in the Compliance Section, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Carteret County, North Carolina. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

The other data included in this comprehensive annual financial report, designated as "introductory section" and "statistical section" in the table of contents, have not been audited by us and, accordingly, we express no opinion on the other data.

McGladrey & Pullen, LLP

Morehead City, North Carolina
September 13, 2002

THIS PAGE WAS INTENTIONALLY LEFT BLANK

CARTERET COUNTY, NORTH CAROLINA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
AND DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2002

	Government Fund Types			Fiduciary Fund Type
	General	Special Revenue	Capital Projects	Agency
ASSETS AND OTHER DEBITS				
Assets:				
Cash and investments	\$ 9,681,958	\$ 819,795	\$ 2,552,599	\$ 41,427
Restricted cash and investments	1,600,339	-	2,340,735	-
Receivables, net	6,346,911	1,202,880	568,356	44,371
Due from other funds	519,065	-	-	-
Due from component units	145,210	-	-	-
Inventories	-	-	-	-
Prepaid items	-	-	-	-
Fixed assets, net where appreciable	-	-	-	-
Other assets	-	-	-	-
Other Debits:				
Amount available for retirement of long-term debt	-	-	-	-
Amount to be provided for retirement of long-term debt	-	-	-	-
Total assets and other debits	\$ 18,293,483	\$ 2,022,675	\$ 5,461,690	\$ 85,798
LIABILITIES, EQUITY AND OTHER CREDIT				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,611,615	\$ 879,605	\$ 1,378,968	\$ 85,798
Due to other funds	-	343,680	175,385	-
Due to primary government	-	-	-	-
Deferred revenue	2,672,092	298,553	-	-
Long-term debt	-	-	-	-
Total liabilities	4,283,707	1,521,838	1,554,353	85,798
Equity and other credit:				
Investment in general fixed assets	-	-	-	-
Retained earnings	-	-	-	-
Fund balances:				
Reserved for Register of Deeds	32,248	-	-	-
Reserved for Recreation Districts	56,317	-	-	-
Reserved by State statute	4,348,892	904,327	568,356	-
Reserved for Sheriff's fund	53,256	-	-	-
Reserved for health programs	546,735	-	-	-
Reserved for debt service	1,090,339	-	-	-
Unreserved:				
Designated for subsequent year's expenditures	150,000	200,973	2,024,567	-
Undesignated (deficit)	7,731,989	(604,463)	1,314,414	-
Total equity and other credit	14,009,776	500,837	3,907,337	-
Total liabilities, equity and other credit	\$ 18,293,483	\$ 2,022,675	\$ 5,461,690	\$ 85,798

See Notes to Financial Statements.

Accounts Groups			Component Units					Totals
General	General	Totals	Beaufort -	Carteret	Carteret	Carteret	Totals	
Fixed	Long-Term	Primary	Morehead	County	General	Carteret	Reporting	
Assets	Debt	Government	City	Tourism	Hospital	County	Entity	
		(Memorandum	Airport	Development	Corporation	ABC Board	(Memorandum	
		Only)	Authority	Authority			Only)	
\$ -	\$ -	\$ 13,095,779	\$ 99,510	\$ 560,429	\$ 20,455,049	\$ 832,801	\$ 35,043,568	
-	-	3,941,074	-	-	17,957,741	-	21,898,815	
-	-	8,162,518	62,329	581,338	11,504,247	-	20,310,432	
-	-	519,065	-	-	-	-	519,065	
-	-	145,210	-	-	-	-	145,210	
-	-	-	-	7,266	1,683,503	587,002	2,277,771	
-	-	-	4,388	-	209,146	1,633	215,167	
39,387,517	-	39,387,517	221,405	180,442	19,592,954	624,637	60,006,955	
-	-	-	-	-	211,386	682	212,068	
-	1,090,339	1,090,339	-	-	-	-	1,090,339	
-	46,274,506	46,274,506	74,834	14,629	-	-	46,363,969	
<u>\$ 39,387,517</u>	<u>\$ 47,364,845</u>	<u>\$ 112,616,008</u>	<u>\$ 462,466</u>	<u>\$ 1,344,104</u>	<u>\$ 71,614,026</u>	<u>\$ 2,046,755</u>	<u>\$ 188,083,359</u>	
\$ -	\$ -	\$ 3,955,986	\$ 56,807	\$ 46,592	\$ 9,920,907	\$ 486,761	\$ 14,467,053	
-	-	519,065	-	-	-	-	519,065	
-	-	-	74,834	-	-	70,376	145,210	
-	-	2,970,645	-	-	-	-	2,970,645	
-	47,364,845	47,364,845	-	14,629	7,020,683	77,233	54,477,390	
-	47,364,845	54,810,541	131,641	61,221	16,941,590	634,370	72,579,363	
39,387,517	-	39,387,517	221,405	180,442	-	-	39,789,364	
-	-	-	-	-	54,672,436	1,412,385	56,084,821	
-	-	32,248	-	-	-	-	32,248	
-	-	56,317	-	-	-	-	56,317	
-	-	5,821,575	66,717	588,604	-	-	6,476,896	
-	-	53,256	-	-	-	-	53,256	
-	-	546,735	-	-	-	-	546,735	
-	-	1,090,339	-	-	-	-	1,090,339	
-	-	2,375,540	-	225,000	-	-	2,600,540	
-	-	8,441,940	42,703	288,837	-	-	8,773,480	
<u>39,387,517</u>	<u>-</u>	<u>57,805,467</u>	<u>330,825</u>	<u>1,282,883</u>	<u>54,672,436</u>	<u>1,412,385</u>	<u>115,503,996</u>	
<u>\$ 39,387,517</u>	<u>\$ 47,364,845</u>	<u>\$ 112,616,008</u>	<u>\$ 462,466</u>	<u>\$ 1,344,104</u>	<u>\$ 71,614,026</u>	<u>\$ 2,046,755</u>	<u>\$ 188,083,359</u>	

CARTERET COUNTY, NORTH CAROLINA

COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES,
ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
For the Fiscal Year Ended June 30, 2002

	Government	Special Revenue	Capital Projects	Totals (Memorandum Only) Primary Government
REVENUE				
Ad valorem taxes	\$ 31,644,106	\$ 2,908,830	\$ -	\$ 34,552,936
Other taxes and licenses	11,052,937	4,006,315	-	15,059,252
Permits and fees	1,602,838	-	-	1,602,838
Intergovernmental	9,161,981	775,772	1,905,613	11,843,366
Sales and services	1,567,251	-	-	1,567,251
Interest	308,460	12,093	171,448	492,001
Miscellaneous	175,399	-	-	175,399
Total revenue	55,512,972	7,703,010	2,077,061	65,293,043
EXPENDITURES				
Current:				
General government	3,290,839	-	-	3,290,839
Public safety	5,343,482	4,157,294	-	9,500,776
Transportation	332,365	-	-	332,365
Environmental protection	2,547,719	-	-	2,547,719
Economic and physical development	1,333,354	1,278,337	-	2,611,691
Human services	13,261,242	-	-	13,261,242
Culture and recreation	1,988,228	-	-	1,988,228
Education	19,570,613	-	-	19,570,613
State Grant	-	-	-	-
Capital outlay	-	-	8,342,872	8,342,872
Debt service:				
Principal retirement	3,511,418	-	-	3,511,418
Interest and fees	2,588,362	-	-	2,588,362
Total expenditures	53,767,622	5,435,631	8,342,872	67,546,125
Revenue over (under) expenditures	1,745,350	2,267,379	(6,265,811)	(2,253,082)
OTHER FINANCING SOURCES (USES)				
Loan proceeds	-	-	3,000,000	3,000,000
Operating transfers in from primary government	-	-	-	-
Operating transfers in from component units	192,755	-	-	192,755
Operating transfers out to component units	(104,820)	(1,495,339)	-	(1,600,159)
Operating transfers in	1,331,091	62,661	1,999,153	3,392,905
Operating transfers out	(1,333,361)	(881,091)	(1,178,453)	(3,392,905)
Total other financing sources (uses)	85,665	(2,313,769)	3,820,700	1,592,596
Revenue and other financing sources over (under) expenditures and other financing uses	1,831,015	(46,390)	(2,445,111)	(660,486)
FUND BALANCES, beginning	12,175,997	574,713	6,327,726	19,078,436
Residual equity transfers	2,764	(27,486)	24,722	-
FUND BALANCES, ending	\$ 14,009,776	\$ 500,837	\$ 3,907,337	\$ 18,417,950

See Notes to Financial Statements.

Component Units		Totals
Beaufort/ Morehead City Airport Authority	Carteret County Tourism Development Authority	(Memorandum Only) Reporting Entity
\$ -	\$ -	\$ 34,552,936
-	-	15,059,252
-	-	1,602,838
143,349	100,000	12,086,715
-	-	1,567,251
2,166	20,045	514,212
48,280	7,543	231,222
<u>193,795</u>	<u>127,588</u>	<u>65,614,426</u>
-	1,023,640	4,314,479
-	-	9,500,776
79,554	-	411,919
-	-	2,547,719
-	-	2,611,691
-	-	13,261,242
-	-	1,988,228
-	-	19,570,613
-	100,000	100,000
166,880	-	8,509,752
10,606	-	3,522,024
4,031	-	2,592,393
<u>261,071</u>	<u>1,123,640</u>	<u>68,930,836</u>
(67,276)	(996,052)	(3,316,410)
-	-	3,000,000
-	1,495,339	1,495,339
104,820	-	297,575
-	-	(1,600,159)
-	-	3,392,905
-	-	(3,392,905)
<u>104,820</u>	<u>1,495,339</u>	<u>3,192,755</u>
37,544	499,287	(123,655)
71,876	603,154	19,753,466
-	-	-
<u>\$ 109,420</u>	<u>\$ 1,102,441</u>	<u>\$ 19,629,811</u>

CARTERET COUNTY, NORTH CAROLINA

**COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES, BUDGET AND ACTUAL, ALL GOVERNMENTAL FUND TYPES FOR
WHICH ANNUAL BUDGETS HAVE BEEN ADOPTED
For the Fiscal Year Ended June 30, 2002**

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE			
Ad valorem taxes	\$ 32,060,270	\$ 31,644,106	\$ (416,164)
Other taxes and licenses	11,043,110	11,052,937	9,827
Permits and fees	1,421,750	1,602,838	181,088
Intergovernmental	9,208,311	9,161,981	(46,330)
Sales and services	1,498,266	1,567,251	68,985
Interest	292,100	308,460	16,360
Miscellaneous	129,525	175,399	45,874
Total revenue	55,653,332	55,512,972	(140,360)
EXPENDITURES			
Current:			
General government	3,369,075	3,290,839	78,236
Public safety	5,453,718	5,343,482	110,236
Transportation	393,537	332,365	61,172
Environmental protection	2,587,981	2,547,719	40,262
Economic and physical development	1,440,354	1,333,354	107,000
Human services	14,321,880	13,261,242	1,060,638
Culture and recreation	2,338,116	1,988,228	349,888
Education	19,653,557	19,570,613	82,944
Capital outlay	-	-	-
Debt service:			
Principal retirement	3,511,491	3,511,418	73
Interest and fees	2,588,600	2,588,362	238
Total expenditures	55,658,309	53,767,622	1,890,687
Revenue over (under) expenditures	(4,977)	1,745,350	1,750,327
OTHER FINANCING SOURCES (USES)			
Installment Purchase Proceeds	-	-	-
Operating transfer in from component units	160,000	192,755	32,755
Operating transfers out to component units	(120,820)	(104,820)	16,000
Operating transfers in	1,111,535	1,331,091	219,556
Operating transfers out	(1,536,695)	(1,333,361)	203,334
Appropriated fund balance	390,957	-	(390,957)
Total other financing sources (uses)	4,977	85,665	80,688
Revenue and other financing sources over (under) expenditures and other uses	\$ -	1,831,015	\$ 1,831,015
FUND BALANCES, beginning		12,175,997	
Residual equity transfers out		2,764	
FUND BALANCES, ending		\$ 14,009,776	

See Notes to Financial Statements.

Special Revenue Funds			Capital Projects Fund			Total (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 2,959,129	\$ 2,908,830	\$ (50,299)	\$ -	\$ -	\$ -	\$ 35,019,399	\$ 34,552,936	\$ (466,463)
4,120,188	4,006,315	(113,873)	-	-	-	15,163,298	15,059,252	(104,046)
-	-	-	-	-	-	1,421,750	1,602,838	181,088
-	-	-	1,164,000	359,315	(804,685)	10,372,311	9,521,296	(851,015)
-	-	-	-	-	-	1,498,266	1,567,251	68,985
46,300	12,093	(34,207)	45,000	37,806	(7,194)	383,400	358,359	(25,041)
-	-	-	-	-	-	129,525	175,399	45,874
<u>7,125,617</u>	<u>6,927,238</u>	<u>(198,379)</u>	<u>1,209,000</u>	<u>397,121</u>	<u>(811,879)</u>	<u>63,987,949</u>	<u>62,837,331</u>	<u>(1,150,618)</u>
-	-	-	-	-	-	3,369,075	3,290,839	78,236
4,620,686	4,157,294	463,392	-	-	-	10,074,404	9,500,776	573,628
-	-	-	-	-	-	393,537	332,365	61,172
-	-	-	-	-	-	2,587,981	2,547,719	40,262
502,261	502,565	(304)	-	-	-	1,942,615	1,835,919	106,696
-	-	-	-	-	-	14,321,880	13,261,242	1,060,638
-	-	-	-	-	-	2,338,116	1,988,228	349,888
-	-	-	-	-	-	19,653,557	19,570,613	82,944
-	-	-	5,464,578	3,245,972	2,218,606	5,464,578	3,245,972	2,218,606
-	-	-	-	-	-	3,511,491	3,511,418	73
-	-	-	-	-	-	2,588,600	2,588,362	238
<u>5,122,947</u>	<u>4,659,859</u>	<u>463,088</u>	<u>5,464,578</u>	<u>3,245,972</u>	<u>2,218,606</u>	<u>66,245,834</u>	<u>61,673,453</u>	<u>4,572,381</u>
<u>2,002,670</u>	<u>2,267,379</u>	<u>264,709</u>	<u>(4,255,578)</u>	<u>(2,848,851)</u>	<u>1,406,727</u>	<u>(2,257,885)</u>	<u>1,163,878</u>	<u>3,421,763</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	160,000	192,755	32,755
(1,423,986)	(1,495,339)	(71,353)	-	-	-	(1,544,806)	(1,600,159)	(55,353)
39,000	62,661	23,661	1,970,148	1,999,153	29,005	3,120,683	3,392,905	272,222
(809,743)	(881,091)	(71,348)	(450,000)	(450,000)	-	(2,796,438)	(2,664,452)	131,986
192,059	-	(192,059)	2,735,430	-	(2,735,430)	3,318,446	-	(3,318,446)
<u>(2,002,670)</u>	<u>(2,313,769)</u>	<u>(311,099)</u>	<u>4,255,578</u>	<u>1,549,153</u>	<u>(2,706,425)</u>	<u>2,257,885</u>	<u>(678,951)</u>	<u>(2,936,836)</u>
<u>-</u>	<u>(46,390)</u>	<u>\$ (46,390)</u>	<u>\$ -</u>	<u>(1,299,698)</u>	<u>\$ (1,299,698)</u>	<u>\$ -</u>	<u>484,927</u>	<u>\$ 484,927</u>
	547,227			3,157,746			15,880,970	
	(27,486)			24,722			-	
	<u>\$ 473,351</u>			<u>\$ 1,882,770</u>			<u>\$ 16,365,897</u>	

CARTERET COUNTY, NORTH CAROLINA

COMBINED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN RETAINED EARNINGS
 DISCRETELY PRESENTED COMPONENT UNITS
 For the Fiscal Year Ended June 30, 2002

	Component Units	
	Carteret General Hospital Corporation	Carteret County ABC Board
OPERATING REVENUE		
Charges for services	\$ 64,372,658	\$ -
Alcoholic beverage sales, net	-	5,152,981
Total operating revenue	64,372,658	5,152,981
OPERATING EXPENSES		
Hospital operations	59,503,923	-
Cost of goods sold	-	3,491,607
Store and warehouse expense	-	1,119,679
Depreciation	2,833,378	57,350
Total operating expenses	62,337,301	4,668,636
Operating income	2,035,357	484,345
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	1,615,924	11,204
Gifts and donations	522,360	-
Other expenses	(53,306)	(15,278)
Law enforcement	-	(47,115)
Distributions to other governments	-	(192,755)
Total nonoperating revenues (expenses)	2,084,978	(243,944)
Income before operating transfers	4,120,335	240,401
OPERATING TRANSFERS		
Operating transfers to primary government	-	(192,755)
Net income	4,120,335	47,646
RETAINED EARNINGS - beginning	50,552,101	1,364,739
RETAINED EARNINGS, ending	<u>\$ 54,672,436</u>	<u>\$ 1,412,385</u>

See Notes to Financial Statements.

CARTERET COUNTY, NORTH CAROLINA

**COMBINED STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNITS
For the Fiscal Year Ended June 30, 2002**

	Component Units	
	Carteret General Hospital Corporation	Carteret County ABC Board
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 2,035,357	\$ 484,345
Interest expense considered capital financing activity	53,905	-
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,833,378	57,350
Provision for bad debts	4,023,630	-
Transfer from restricted funds to operations	(5,451)	-
Change in assets and liabilities:		
Receivables	(4,560,758)	-
Inventories	(265,942)	11,215
Prepaid expenses	202,764	22,436
Other assets	(37)	153
Estimated third-party payor settlements	62,510	-
Accounts payable and accrued expenses	1,189,705	(4,553)
Net cash provided by operating activities	<u>5,569,061</u>	<u>570,946</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Unrestricted gifts and donations	20,433	-
Restricted gifts	454,072	-
Operating transfers to primary government	-	(192,755)
Operating transfers to other governments	-	(256,589)
Payment for Law Enforcement	-	(47,115)
Net cash provided by (used in) non-capital financing activities	<u>474,505</u>	<u>(496,459)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of notes payable	6,000,000	90,000
Principal paid on obligations under capital leases and bonds	(472,361)	(12,768)
Interest paid on note payable	(47,281)	-
Acquisition of capital assets	(5,115,089)	(23,027)
Net cash provided by capital and related financing activities	<u>365,269</u>	<u>54,205</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	2,089,915	11,204
Proceeds from investing activities	19,162,277	-
Purchase of long term investments	(18,658,124)	-
Other investment	-	(15,278)
Net cash provided by (used in) investing activities	<u>2,594,068</u>	<u>(4,074)</u>
Net increase in cash and cash equivalents	9,002,903	124,618
CASH AND CASH EQUIVALENTS		
Beginning	<u>10,751,763</u>	<u>708,183</u>
Ending (Hospital including \$10,889,229 unrestricted, \$8,865,437 restricted)	<u>\$ 19,754,666</u>	<u>\$ 832,801</u>
Noncash Item - Equity in loss of joint venture	<u>\$ 13,266</u>	<u>\$ -</u>

See Notes to Financial Statements.

THIS PAGE WAS INTENTIONALLY LEFT BLANK

NOTES TO FINANCIAL STATEMENTS

These notes are intended to communicate information necessary for a fair presentation of financial position and results of operations 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.

THIS PAGE WAS INTENTIONALLY LEFT BLANK

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations, Reporting Entity, Significant Accounting Policies and Description of Funds and Account Groups

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 four discretely presented component units presented below are reported in separate columns in the County's combined 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, which has a June 30 year-end, is discretely presented as if it were a special revenue fund.

Carteret County Tourism Development Authority. The Carteret County Tourism Development Authority 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, which has a June 30 year-end, is discretely presented as if it were a special revenue fund.

Carteret General Hospital Corporation ("Hospital"). The Hospital is a public hospital operated by a non-profit 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, which has a September 30 year-end, is discretely presented as if it were a proprietary fund.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations, Reporting Entity, Significant Accounting Policies and Description of Funds and Account Groups (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, which has a June 30 year-end, is discretely presented as if it were a proprietary fund.

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 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 non-profit corporation created solely to provide for the financing of the construction of a new law enforcement center, an addition to the Social Services building, a new public elementary school, the acquisition of certain land for an expansion of the community college facilities in Carteret County, North Carolina, and Newport Middle School. Certificates of participation were previously issued prior to July 1, 1992 to provide the funds for the other facilities. 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, 2002.

Summary of significant accounting policies:

The 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.

Fund Accounting. The accounts of the County are organized and operated on the basis of funds and account groups, each of which is considered an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The account groups are not funds but are a reporting device used to account for certain assets and liabilities of the governmental funds that are not recorded directly in those funds.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations, Reporting Entity, Significant Accounting Policies and Description of Funds and Account Groups (Continued)

The County has the following fund categories (further divided by fund type) and account groups:

Governmental Fund Types—Governmental funds are used to account for all or most of a government's general governmental activities (general fund), collection and disbursement of earmarked monies (special revenue funds), and the acquisition or construction of general fixed assets (capital projects funds). The following are the governmental funds of the County:

- **General Fund**—The General Fund is the general operating fund of the County and accounts for all financial resources except those required to be accounted for in another fund.
- **Special Revenue Funds**—Special Revenue Funds account for specific revenues sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The County maintains the following Special Revenue Funds: Rescue Squad Fund, Fire District Fund, Emergency 911 Fund, Occupancy Tax Fund, Community Development Block Grant Rehabilitation Fund, Industrial Park Fund, Community Development Block Grant - Jarrett Bay Fund, 1997 Fran DRI Grant Fund, Salter Path District Fund, CDBG 2001 Laurel Road Fund, and 1998 Bonnie DRI Grant Fund.
- **Capital Projects Funds**—Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities. The County maintains the following Capital Projects Funds: County Capital Reserve Fund, County Capital Improvements Fund, Newport Middle School COPS Fund, School Projects Fund, School Special Projects Fund, Highway 101 Water Project Fund, Health Center Renovations Fund and Western Library Fund.

Fiduciary Fund Type—Fiduciary funds account for assets held by the County in a trustee capacity or as an agent for outside parties, including other governments, or on behalf of other funds within the government. Agency funds are custodial in nature and do not involve measurement of results of operations. The County maintains the following Agency funds: Sheriff's Department Fund and the Social Services Trust Fund.

Accounts Groups—The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus as described at "Basis of Accounting" below. The two account groups are not funds. They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

- *General Fixed Assets Account Group*—This account group is used to account for all fixed assets of the County other than infrastructure fixed assets.
- *General Long-Term Debt Account Group*—This account group is used to account for all long-term obligations of the County.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations, Reporting Entity, Significant Accounting Policies and Description of Funds and Account Groups (Continued)

Measurement Focus. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenue and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The component units accounted for as proprietary type funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these component units are included on the balance sheet. Operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets.

Basis of Accounting. Basis of accounting determines when the revenue and expenditures or expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

In accordance with North Carolina General Statutes, all funds of the County and Airport and TDA discrete component units are maintained during the year using the modified accrual basis of accounting. The governmental fund types and agency funds are presented in the financial statements on the same basis. Under the modified accrual basis of accounting, revenue is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it is "measurable" and "available") to pay the liabilities of the current period. In addition, expenditures are recorded when the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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 (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 60 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a 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 subsequent 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, 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 2001 through February 2002 apply to the fiscal year ended June 30, 2002. Uncollected taxes which were billed during this period are shown as a receivable on these financial statements. Those taxes for vehicles registered from March 1 through

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations, Reporting Entity, Significant Accounting Policies and Description of Funds and Account Groups (Continued)

the fiscal year end apply to the fiscal year 2002-2003 and are not shown as receivables at June 30, 2002. For those motor vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because the due date and the date upon which the interest begins to accrue passed prior to June 30. The taxes for vehicles registered annually that have already been collected as of year end are also reflected as deferred revenues at June 30, 2002 because they are intended to finance the County's operations during the 2003 fiscal year.

Sales taxes collected and held by the State at year-end on behalf of the County are recognized as revenue. Intangible taxes, certain 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.

The County reports deferred revenue on its combined balance sheet. Deferred revenue arises when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received by the County before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Proprietary funds (certain discrete component units) are presented in the financial statements on the accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when earned and expenses are recognized in the period they are incurred. As permitted by generally accepted accounting principles, the ABC Board component unit has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for their proprietary operations. The Hospital Corporation utilizes applicable FASB Statements and Interpretation issued after November 30, 1989, so long as they do not contradict GASB pronouncements.

Budgets and Budgetary Accounting. An annual budget is adopted for the general fund, the special revenue funds (excluding CDBG Rehabilitation Fund, Industrial Park Fund, CDBG Jarrett Bay Fund, 1997 Fran DRI Grant Fund, CDBG Laruel Road Fund and the 1998 Bonnie DRI Grant Fund), and the capital projects funds (excluding the Newport Middle COPS Fund, School Projects Fund, Highway 101 Water Project Fund, Health Center Renovations Fund and the Western Library Fund). All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the capital projects funds and the special revenue funds which do not adopt annual budgets. 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.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations, Reporting Entity, Significant Accounting Policies and Description of Funds and Account Groups (Continued)

The Board of Commissioners may amend the budget ordinance at any time after its adoption as long as the amended ordinance continues to meet the requirements of North Carolina's "Local Government Budget and Fiscal Control Act". No amendment may change the property tax levy unless the Board of Commissioners is so ordered by competent authority. During the year, several supplementary appropriations to the original budget were necessary. Individual amendments to the ordinance were not material in relation to the original appropriations, and all amendments were legally made. The budget amounts shown in the combined financial statements represent the budget, as amended, at June 30, 2002. 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 transfers between departments not in 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.

The budget, as authorized for the General Fund, includes certain receipts to be received for and disbursed to, or on behalf of, other entities, or individuals, by the County as fiscal agent. For financial reporting purposes, these agency receipts and disbursements are reclassified to a fiduciary fund type. In addition, the budgets authorized for the General Fund, Special Revenue funds, and Capital Project funds are prepared on a modified accrual basis.

Encumbrances, which are not expenditures, represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. The County has no encumbrances outstanding at year-end.

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 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 SuperNOW accounts, money market accounts, and certificates of deposit.

State statute (G.S. 159-30) 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 nonguaranteed federal agencies; certain high quality issues of commercial paper and banker's acceptances; and the North Carolina Capital Management Trust ("NCCMT"), an SEC registered 2a-7 mutual fund.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations, Reporting Entity, Significant Accounting Policies and Description of Funds and Account Groups (Continued)

The County, the Hospital, and the ABC Board's money market investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The NCCMT Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued based on a computerized matrix system and/or appraisals by a pricing service. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost.

Cash and Cash Equivalents. The County pools money from several funds to facilitate disbursement and investment and maximize investment income. Investment earnings are allocated to all funds based on the cash balance outstanding at the end of each month. Cash and cash equivalents of proprietary type component units include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

Restricted Cash and Investments. Certain proceeds of debt issuances are classified as restricted cash and investments on the balance sheet because their use is limited by applicable debt instruments.

Ad Valorem Taxes Receivable. Ad valorem taxes are not accrued as revenue 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 accrued as revenue is shown as a deferred revenue on the combined balance sheet.

The property tax calendar for Carteret County, North Carolina is as follows:

Levy Date	July 1, 2001
Due Date (lien date)	September 1, 2001
Past Due Date	January 6, 2002

Allowances for Doubtful Accounts. Allowances for doubtful accounts are maintained on all types of receivables which historically experience uncollectible accounts.

Inventories and Prepaid Items. 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.

Fixed Assets. General fixed 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 the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost, where historical records are available, or at estimated historical cost, where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Public domain or infrastructure fixed assets are not capitalized as these assets are immovable and of value only to the County. Also, the County has elected not to capitalize interest or debt issuance costs as a component of the cost of general fixed assets constructed for its own use.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations, Reporting Entity, Significant Accounting Policies and Description of Funds and Account Groups (Continued)

The County holds title to certain Carteret County Board of Education properties which have not been included in fixed 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 fixed assets in the financial statements of the Carteret County Board of Education. Revenues and expenditures related to these construction projects are reflected in capital project funds of Carteret County during the duration of construction.

Property and equipment of the Hospital, the ABC Board and the Tourism Development Authority are recorded at original cost at the time of acquisition. Property and equipment 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 fixed assets of the Hospital or the ABC Board is reflected in the capitalized value of the asset constructed. Assets in the County's general fixed assets account group and the Tourism Development Authority and the Airport are not depreciated and the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The Airport Authority does not own any real property but utilizes facilities provided by the County. All airport fixed assets owned by the County are included in the County's general fixed assets account group. 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.

Property and equipment of the Hospital and the ABC Board are depreciated over their estimated useful lives on a straight-line basis as follows:

	Useful Life
Buildings and improvements	10 - 40 years
Furniture and equipment	4 - 20 years
Improvements other than building	5 - 20 years

Compensated Absences. Vested or accumulated vacation leave and compensatory leave time that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation and compensatory leave time that are not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Debt Account Group. No expenditure is reported for these amounts. At June 30, 2002, the current portion of the accumulated vacation and compensatory leave pay is not considered to be material and, therefore, no provision has been made in the accompanying financial statements in the General Long-Term Debt Account Group. 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.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations, Reporting Entity, Significant Accounting Policies and Description of Funds and Account Groups (Continued)

Long-term Obligations. Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Debt Account Group.

Fund Equity. Reservations or restrictions of equity represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of equity 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 fund types 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 by State statute—portion of fund balance not available for appropriation after remaining reserves not available for appropriation have been segregated. 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.
- Reserved for debt service—represents amounts restricted to expenditures for future debt service obligations.

Unreserved

- Designated – portion of total fund balance appropriated to the following year's budget.
- Undesignated—portion of total fund balance available for appropriation which is uncommitted at June 30, 2002.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations, Reporting Entity, Significant Accounting Policies and Description of Funds and Account Groups (Continued)

Interfund Transactions. Quasi-external transactions are accounted for as revenue or expenditures since they would be treated as such if they involved organizations external to the County. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Totals (Memorandum Only) Columns. The total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)-Primary Government" and "Totals (Memorandum Only)-Reporting Entity" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles for the primary government. Interfund eliminations have not been made in the aggregation of this data.

Note 2. Stewardship, Compliance and Accountability

Deficits in Fund Balance of Individual Funds:

As of June 30, 2002, the Rescue Squad Fund, Fire District Fund and Salter Path District Fund all had deficits in fund balance of \$10,219, \$16 and \$2,444, respectively. The County will transfer funds from the General Fund to rectify the deficits in fund balance.

Expenditures in Excess of Appropriations in Individual Funds: The following funds had expenditures in excess of appropriations:

Occupancy tax special revenue fund	\$ 304
CDBG Jarrett Bay special revenue fund	\$ 47

Note 3. Cash and Investments

Cash on Hand:

The County had \$1,356 in petty cash on hand at June 30, 2002.

Component Unit Information

Carteret County General Hospital had \$2,550 in cash on hand at September 30, 2001.

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 noninterest 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 financial stability for each depository that collateralizes public deposits under the Pooling Method.

At June 30, 2002, the County's deposits had a carrying amount of \$6,163,998 and a bank balance of \$6,645,723. Of the bank balance, \$400,000 was covered by federal depository insurance and \$6,245,723 was covered by collateral held under the Pooling Method. Restricted cash in the amount of \$510,000 was being held in non-interest bearing deposits for banking services. The General Fund had restricted cash consisting of \$982,696 for the Morehead Elementary School COPS agreement. In the Capital Projects Funds there was restricted cash of \$1,964,969 for the Health Center Renovation Project.

Component Unit Information

At June 30, 2002, the carrying amount of deposits for Tourism and Development Authority was \$214,362 and the bank balance was \$225,021. The bank balance of the Authority was fully covered by federal depository insurance.

At June 30, 2002, the carrying amount of deposits for Beaufort-Morehead City Airport Authority was \$99,510 and the bank balance was \$158,620. Of the bank balance, \$100,000 was fully covered by federal depository insurance and the remainder was collateralized under the pooling method.

At September 30, 2001, the carrying amount of the Hospital's deposits was \$38,412,790 and the bank balance was \$37,875,062. Substantially all the bank balance is collateralized under the pooling method.

At June 30, 2002, the carrying amount of deposits for Carteret County ABC Board was \$826,601 and the bank balance was \$739,720. All of the bank balance was covered by federal depository insurance.

Investments:

State of North Carolina General Statutes authorize the County and its component units to invest in obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of principal and interest of such obligations is fully guaranteed by the United States; certain quasi-federal agencies; commercial paper bearing the highest credit ratings available; bankers acceptances of accepting banks or holding companies either (i) incorporated in the State of North Carolina or (ii) the highest available long-term debt rating; and the North Carolina Capital Management Trust, an SEC registered 2a-7 mutual fund.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 3. Cash and Investments (Continued)

The investments of the County and its component units are categorized to give an indication of the level of custodial risk assumed by each entity at year-end. Column A includes investments that are insured or registered, or for which the securities are held by the unit or its agent in the unit's name. Column B includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the unit's name. Column C includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the entity's name. Investments in the North Carolina Capital Management Trust are exempt from risk categorization because the entity does not own any identifiable securities, but is a shareholder of a percentage of the fund.

At June 30, 2002, the County had restricted investments of \$483,409. The General Fund had a restricted investment consisting of \$107,643 for a installment obligation on equipment. In the Capital Project Funds there is a restricted investment of \$375,766 for the construction of the Newport Middle School.

At June 30, 2002, the County's investment balances were categorized as to custodial risk as follows:

	Category			Reported Value	Fair Value
	A	B	C		
Government Agencies	\$2,509,818	\$ -	\$ -	\$ 2,509,818	\$ 2,509,818
Commercial Paper	1,300,286	-	-	1,300,286	1,300,286
North Carolina Capital Management Trust*				7,061,395	7,061,395
				10,871,499	10,871,499
Less:					
Restricted investments				483,409	483,409
Unrestricted investments				<u>\$ 10,388,090</u>	<u>\$ 10,388,090</u>

* Is not categorized because the County does not own any identifiable securities, but is a shareholder of a percentage of the fund.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 3. Cash and Investments (Continued)

At June 30, 2002, the County's cash and investments are comprised of the following:

	<u>Total</u>
Cash on hand	\$ 1,356
Carrying value of deposits	6,163,998
Investments	<u>10,871,499</u>
 Total	 <u><u>\$ 17,036,853</u></u>
 Balance Sheet Reconciliation:	
Unrestricted cash and investments	\$ 13,095,779
Restricted cash and investments	<u>3,941,074</u>
 Total	 <u><u>\$ 17,036,853</u></u>

Component Unit Information

At June 30, 2002 the Tourism and Development Authority had investments in the North Carolina Capital Management Trust and 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	<u>\$ 346,067</u>	<u>\$ 346,067</u>

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 4. Budget to GAAP Reconciliation

The combined statement of revenue, expenditures, and changes in fund balances, budget and actual compares the budget and actual data by fund type for those governmental funds that adopt annual budgets. Therefore, only those special revenue and capital project funds that adopt annual budgets are included therein, while all special revenue and capital projects funds are reflected on the combined statement. A reconciliation of the revenue and other financing sources over (under) expenditures and other financing uses follows:

	<u>Capital Projects Funds</u>
Revenues and other financing sources over (under) expenditures and other financing uses, budgetary basis (page 23)	\$ (1,299,698)
To record excess of revenues and other financing sources over (under) expenditures and other financing uses for the following funds which have multi-year budgets:	
Newport Middle School COPS Fund	(2,858,214)
Health Center Renovations	1,574,070
Western Library Fund	<u>138,731</u>
Revenues and other financing sources over (under) expenditures and other financing uses, GAAP basis (page 20)	<u><u>\$ (2,445,111)</u></u>

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 5. Receivables

Receivables are comprised of the following major categories as of June 30, 2002:

	Property Taxes	Allowance For Uncollectible Accounts	Other Government	Other Sources	Total
General Fund:					
Local option sales tax	\$ -	\$ -	\$ 2,643,488	\$ -	\$ 2,643,488
Other	2,729,723	(301,677)	558,217	717,160	3,703,423
	<u>2,729,723</u>	<u>(301,677)</u>	<u>3,201,705</u>	<u>717,160</u>	<u>6,346,911</u>
Special Revenue Funds:	332,147	(36,707)	226,877	680,563	1,202,880
Capital Projects Funds:	-	-	565,563	2,793	568,356
Agency Funds:	-	-	-	44,371	44,371
Totals	<u>\$ 3,061,870</u>	<u>\$ (338,384)</u>	<u>\$ 3,428,582</u>	<u>\$ 1,442,094</u>	<u>\$ 8,162,518</u>

Property Tax - Use-Value Assessment on Certain Lands. In accordance with North Carolina general statutes, agriculture, horticulture, and forestland may be taxed as 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
1998	92,655	30,345	123,000
1999	131,897	31,325	163,222
2000	200,746	29,610	230,356
2001	211,426	12,157	223,583
Total	<u>\$ 636,724</u>	<u>\$ 103,437</u>	<u>\$ 740,161</u>

Component Unit Information

The Carteret General Hospital Corporation receivables are net of an allowance for doubtful accounts in the amount of \$5,367,000. Approximately 40% of the Hospital's revenue is from the Medicare and Medicaid programs

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 6. Fixed Assets

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year:

	General Fixed Assets July 1, 2001	Additions	Retirements	Adjustments and Transfers	General Fixed Assets June 30, 2002
By Asset Type:					
Land, airport	\$ 169,549	\$ -	\$ -	\$ -	\$ 169,549
Land, other	2,752,855	-	-	-	2,752,855
Buildings	22,139,584	-	(511)	(64,764)	22,074,309
Vehicles	2,315,048	730,797	(158,755)	54,749	2,941,839
Equipment	2,667,237	113,205	(10,125)	(19,657)	2,750,660
Airport facilities	1,522,133	-	-	2,614	1,524,747
Other improvements	3,896,229	681,621	(6,200)	27,058	4,598,708
Construction in progress	-	2,574,850	-	-	2,574,850
Total	\$ 35,462,635	\$ 4,100,473	\$ (175,591)	\$ -	\$ 39,387,517
By Function:					
General government	10,320,536	33,165	(6,200)	(15,191)	10,332,310
Public safety	10,200,374	354,681	(150,693)	-	10,404,362
Human services	7,678,770	379,814	-	-	8,058,584
Environmental protection	1,629,807	11,203	-	-	1,641,010
Culture/recreation	3,267,221	712,438	(18,698)	-	3,960,961
Economic/physical development	(15,191)	-	-	15,191	-
Transportation	2,381,118	34,322	-	-	2,415,440
Construction in progress	-	2,574,850	-	-	2,574,850
Totals	\$ 35,462,635	\$ 4,100,473	\$ (175,591)	\$ -	\$ 39,387,517

Investment in general fixed assets by source:

Prior to June 30, 1992	\$ 16,845,600
General Fund	10,864,735
Capital Projects Funds	11,677,182
	<u>\$ 39,387,517</u>

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 6. Fixed Assets (Continued)

This schedule does not include \$1,199,930 in infrastructure improvements where the County has agreed as of June 30, 2002 to deed these assets to other governmental units once these projects have been completed.

Component Unit Information

The following is a summary of the Hospital fixed assets at September 30, 2001:

Land	\$	217,582
Land improvements		659,336
Building improvements		15,061,298
Furniture and equipment		23,221,727
Construction in progress		2,918,333
		<hr/>
		42,078,276
Less accumulated depreciation		22,485,322
		<hr/>
	\$	<u>19,592,954</u>

Legal title to the Hospital's property and equipment, 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 fixed assets at June 30, 2002:

Land	\$	202,424
Buildings and improvements		608,957
Furniture and equipment		512,962
Improvements other than building		90,340
		<hr/>
		1,414,683
Less accumulated depreciation		790,046
		<hr/>
	\$	<u>624,637</u>

The following is a summary of the Beaufort – Morehead City Airport Authority fixed assets at June 30, 2002:

Equipment	\$	77,010
T Hangers		140,000
Other improvements		4,395
		<hr/>
	\$	<u>221,405</u>

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 6. Fixed Assets (Continued)

The following is a summary of the Carteret County Tourism and Development Authority fixed assets at June 30, 2002:

Equipment	<u>\$ 180,442</u>
-----------	-------------------

Note 7. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error 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.

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 property, general liability, auto liability, workmen'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 Tourism Development Authority 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 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.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 8. Deferred Revenue

As discussed in the Summary of Significant Accounting Policies (Note 1), ad valorem taxes receivable are not accrued as a revenue because they are not considered to be both "measurable and available." Property taxes which are measurable, but not available, are recorded as deferred revenue. In addition, property taxes collected in advance of the fiscal year to which they apply are also recorded as deferred revenue. The balance of deferred revenue at June 30, 2002 is comprised of the following:

	General Fund	Special Revenue Fund	Total
Net property taxes receivable	\$ 2,428,046	\$ 295,440	\$ 2,723,486
Prepaid taxes and licenses	9,799	-	9,799
Other receivables	234,247	3,113	237,360
	<u>\$ 2,672,092</u>	<u>\$ 298,553</u>	<u>\$ 2,970,645</u>

Note 9. Long-Term Obligations

The County records long-term debt of the governmental funds at face value in the general long-term debt account group. The general obligation bonds are backed by the faith, credit, and taxing power of the County. All County debt is being retired with General Fund revenues. Principal and interest requirements are appropriated when due.

Long-term debt obligations at June 30, 2002 are comprised of the following individual issues which are to be serviced by the General Fund:

General obligations bonds:

1995 public improvement, including \$2,000,000 for the construction of the Senior Citizens Center, \$8,000,000 for computer upgrades and technology for the County schools, renovations, and upfront costs for two new school buildings. Due on May 1 in varying installment amounts through May 1, 2013; 5.30% through May 1, 2008, and 5.40% through May 1, 2013. \$ 7,500,000

1996 school buildings, due on May 1 in varying installments through May 1, 2017; interest at 5.40% through May 1, 2016, and 5.50% through May 1, 2017. 17,650,000

Certificates of participation:

1992 certificates of participation due on February 1 in varying installments through February 1, 2007; interest at 6.5% collateralized by the Morehead City Elementary School. 3,570,000

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. 13,055,000

41,775,000

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 9. Long-Term Obligations (Continued)

Installment Purchase Obligations (asset collateralized):

Purchase of equipment; provides for 5 consecutive annual installments of \$153,368 beginning in fiscal year 1999-2000, including interest at 4.39%. \$ 287,659

Purchase of health center building; provides for 12 consecutive varying annual installments, beginning in fiscal year 2000-2001, including interest at 6.00%. 1,345,234

Purchase of property for the community college; provides for 5 consecutive annual installments of \$124,009 beginning in fiscal year 2000-2001, including interest at 6.38% 329,160

Renovations of building purchased for health center for 10 consecutive annual installments, beginning in fiscal year 2002-2003, including interest at 4.510%. 3,000,000
4,962,053

Accrued vacation pay and compensatory time:

Accrued vacation pay included in long-term debt at June 30, 2002 535,029

Accrued compensatory time included in long-term debt at June 30, 2002 31,160
566,189

Net pension obligation at June 30, 2002 61,603
\$ 47,364,845

Annual maturity and sinking fund requirements on long-term debt (except accrued vacation, compensatory time and the net pension obligation) with related interest as of June 30, 2002 are as follows:

	General Obligations Bonds and Certificates of Participation		Installment Purchases		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest
2002-2003	\$ 3,145,000	\$ 2,273,359	\$ 633,600	\$ 249,643	\$ 3,778,600	\$ 2,523,002
2003-2004	3,140,000	2,100,744	651,742	217,971	3,791,742	2,318,715
2004-2005	3,140,000	1,928,006	517,530	185,286	3,657,530	2,113,292
2005-2006	3,140,000	1,754,906	407,015	158,261	3,547,015	1,913,167
2006-2007	3,135,000	1,581,444	422,870	138,310	3,557,870	1,719,754
Thereafter	26,075,000	8,376,788	2,329,296	378,641	28,404,296	8,755,429
	<u>\$ 41,775,000</u>	<u>\$ 18,015,247</u>	<u>\$ 4,962,053</u>	<u>\$ 1,328,112</u>	<u>\$ 46,737,053</u>	<u>\$ 19,343,359</u>

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 9. Long-Term Obligations (Continued)

The following is a summary of changes in County's long-term debt for the fiscal year ended June 30, 2002:

	General Long-Term Debt			General Long-Term Debt
	July 1, 2001	Additions	Retirements	June 30, 2002
<u>By type:</u>				
General obligation bonds and Certificates of participation	\$ 26,850,000	\$ -	\$ 1,700,000	\$ 25,150,000
Certificates of participation	18,070,000	-	1,445,000	16,625,000
Installment Purchases	2,328,471	3,000,000	366,418	4,962,053
Vacation pay and compensatory time	556,793	9,396	-	566,189
Net pension obligation	45,458	16,145	-	61,603
Total	<u>\$ 47,850,722</u>	<u>\$ 3,025,541</u>	<u>\$ 3,511,418</u>	<u>\$ 47,364,845</u>
<u>By purpose:</u>				
Land and building	\$ 41,555,991	\$ 3,000,000	\$ 2,960,909	\$ 41,595,082
Equipment	5,692,480	-	550,509	5,141,971
Vacation pay and compensatory time	556,793	9,396	-	566,189
Net pension obligation	45,458	16,145	-	61,603
Total	<u>\$ 47,850,722</u>	<u>\$ 3,025,541</u>	<u>\$ 3,511,418</u>	<u>\$ 47,364,845</u>

Interest and fees on the above obligations during 2002 totaled \$2,588,362.

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, 2002 amounts to \$520,475,999.

On November 7, 2000 the County citizens approved a \$7.6 million general obligation bond referendum for Carteret Community College. The entire amount is unissued.

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 bond. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2002, the outstanding principal amount payable was \$9,000,000.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 9. Long-Term Obligations (Continued)

Component unit information:

The Hospital entered into a \$6,000,000 note payable agreement with a bank during the year ended September 30, 2001. The note is payable in 10 consecutive annual payments of \$600,000 plus accrued interest at 4.51%. The note is collateralized by a deed of trust on certain buildings. The first payment is due on September 14, 2002. At September 30, 2001, the outstanding balance on the note was \$6,000,000.

The Hospital entered into a \$4,200,000 note payable agreement with a bank during the year ended September 30, 1993. The note is payable in 20 consecutive equal semi-annual payments of \$271,969 including interest at 5.2%. The note is collateralized by a deed of trust on property and equipment. At September 30, 2001 the outstanding balance on the note was \$1,020,683. Subsequent to year end, in October 2001, the note was extinguished with cash from operations.

Scheduled principal repayments are as follows:

2002	\$ 1,097,245
2003	1,123,438
2004	600,000
2005	600,000
2006	600,000
Thereafter	3,000,000
	<u>\$ 7,020,683</u>

The Tourism and Development Authority had accrued compensated absences as a long-term debt at June 30, 2002 in the amount of \$14,629.

The ABC Board entered into a \$90,000 installment loan payable agreement with a bank during the year ended June 30, 2002. Monthly installments of \$1,767 including interest at 6.5% per annum are due through August, 2006. Essentially all of the assets of the ABC Board collateralize the installment loan payable.

Aggregate maturities of long-term debt are as follows:

Years Ending June 30:

2003	\$16,705
2004	17,823
2005	19,017
2006	20,647
2007	3,041
	<u>\$77,233</u>

CARTERET COUNTY, NORTH CAROLINA

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 6% of their annual covered salary. The County and the ABC Board are required to contribute at an actuarially determined rate. For the County and the ABC Board, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.92% and 4.78%, 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, 2002, 2001, and 2000 were \$475,013, \$457,549, and \$436,783, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2002, 2001, and 2000 were \$26,917, \$27,030, and \$27,197, respectively. The contribution made by the County and the ABC Board equaled the required contributions for each year.

Carteret 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 contributed 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 year ended September 30, 2001 totaled \$1,320,205.

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 payroll for employees covered by this plan for the fiscal year ended June 30, 2002 was \$143,907 and the contribution amount for the fiscal year ended June 30, 2002 was \$5,756.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 10. Retirement Systems (Continued)

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.

All full-time County law enforcement officers are covered by the System. At June 30, 2002 the System's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	36
Total	<u>36</u>

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

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, 2001 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.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 10. Retirement Systems (Continued)

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	\$ 23,582
Interest on Net Pension Obligation	2,703
Adjustment to Annual Required Contribution	<u>(1,963)</u>
Annual Pension Cost	24,322
Employer Contributions made for fiscal year ending June 30, 2002	<u>-</u>
Increase in Net Pension Obligation	24,322
Net Pension Obligation, beginning of fiscal year	<u>37,281</u>
Net Pension Obligation, end of fiscal year	<u><u>\$ 61,603</u></u>

TREND INFORMATION

<u>Ended</u>	<u>Cost (APC)</u>	<u>APC Contribution</u>	<u>Obligation</u>
06/30/97	\$ 10,134	0%	\$ 19,560
06/30/98	\$ 10,604	0%	\$ 30,161
06/30/99	\$ 11,000	74.38%	\$ 32,979
06/30/00	\$ 12,697	64.44%	\$ 37,494
06/30/01	\$ 14,782	101.44%	\$ 37,281
06/30/02	\$ 24,322	0.00%	\$ 61,603

The ARC (annual required contribution) and the percent of ARC contributed for the last 6 years is not significantly different than the trend information presented.

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial Liability (AAL)- Proj Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll for Year Ending Date (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/1996	-	\$ 56,427	\$ 56,427	0.00%	\$ 699,373	8.07%
12/31/1997	-	60,852	60,852	0.00%	747,833	8.14%
12/31/1998	-	74,977	74,977	0.00%	831,875	9.01%
12/31/1999	-	80,668	80,668	0.00%	914,148	8.82%
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%

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 10. Retirement Systems (Continued)

Notes to the Trend Information and Schedule of Funding Progress:

The information presented was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuations follows:

Valuation date	12/31/2001
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	29 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	5.9% to 9.8%
Includes inflation at	3.75%
Cost-of-living adjustments	None

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 City. 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, 2002 were \$67,556, which consisted of \$55,733 from the County and \$11,823 from law enforcement officers. Contributions from the ABC Board for June 30, 2002 consisted of \$1,482 from the Board and none 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, 2002 were \$635,767, which consisted of \$429,825 from the County and \$205,942 from the employees.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 10. Retirement Systems (Continued)

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 Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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, 2002, the County's required and actual contributions were \$25,801.

Note 11. Post-Employment Health Care 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 has elected to provide death benefits to employees through the Death Benefit Plan for Members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multi-employer, 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 may not exceed \$20,000. All death benefit payments are made from the Death Benefit Plan. The County has 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, 2002 the County made contributions to the State for death benefits of \$11,846. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .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.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

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.

	Federal	State
Food Stamps	\$ 2,456,771	\$ -
Medicaid	25,289,379	13,223,372
TANF and Work First	620,278	-
WIC	692,866	-
Special Assistance	-	369,572
Other	70,375	-
	<u>\$ 29,129,669</u>	<u>\$ 13,592,944</u>

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, 2002. 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, 2002. Complete financial statements for the Authority can be obtained from the Authority's administrative offices at 7400 Old Highway 70 West, Cove City, NC 28523.

The County, in conjunction with Jones, Pamlico and Craven Counties, participates in a joint venture to operate Neuse Center for Mental Health, Developmental Disabilities, and Substance Abuse Services. One commissioner from each County serves on the board of twenty members. The County has an ongoing financial responsibility for the joint venture because the Center's continued existence depends on the participating governments' funding in conjunction with funding from the State of North Carolina. None of the participating governments have any equity interest in the Center, so no equity interest has been reflected in the financial statements at June 30, 2002. The County appropriated \$216,075 to the Center during the fiscal year ended June 30, 2002 which included money received from the ABC Board designated for alcohol education. Complete financial statements for the Center can be obtained from the Center's administrative offices at 405 Middle Street, New Bern, NC 28560.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 13. Joint Ventures (Continued)

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 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. 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 \$1,363,741 to the Community College during the fiscal year ended June 30, 2002. 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, 2002. Complete financial statements for the Community College may be obtained from the Community College's administrative offices at 3505 Arendell Street, Morehead City, NC 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 \$193,611 for the year ended September 30, 2001, is accounted for under the equity method and is included in other assets in the balance sheet. During 2001, the Hospital's share of the loss is (\$13,266) 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, 2002. During the year ended June 30, 2002, the County appropriated \$532,464 to the library in Carteret County.

Global TransPark Development Commission:

The Global TransPark 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 TransPark, to create a special economic development district, known as the Global TransPark 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 TransPark Development Zone.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 14. Jointly Governed Organizations (Continued)

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 TransPark 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, 2002, the portion of the trust available to be loaned exclusively to Carteret County was \$1,705,420.

Note 15. Supplemental and Additional Supplemental One-Half of One Percent Local Government Sales and Use Taxes

State law (Chapter 105, Articles 40 and 42, of the North Carolina General Statutes) requires the County to use a portion of the proceeds of its supplemental and additional supplemental sales taxes, or local option sales taxes, for public school capital outlays or to retire public school indebtedness. During the fiscal year ended June 30, 2002, the County reported these local option sales taxes within its General Fund. The County expended the restricted portion of these taxes for public school capital outlays and to retire public school indebtedness.

Note 16. School Facilities Finance Act of 1987

The General Assembly passed the School Facilities Finance Act of 1987 (Act) to assist county governments in meeting their public school facility capital needs. The Act created two new State-funded programs for the construction and renewal of school facilities: the Public School Building Capital Fund administered by the Office of State Budget and Management and the Critical School Facilities Needs Fund administered by the State Board of Education.

Public School Building Capital Fund:

This program is funded using a portion of the corporate income taxes which are imposed on corporations doing business in the State. Each calendar quarter, the Department of Revenue shall remit to the State Treasurer for credit in the fund, an amount equal to the applicable fraction of the net collections of corporate income taxes received during the previous quarter minus \$2.5 million, which it deposits into the Critical School Facilities Needs Fund. For periods after September 30, 2000, the applicable fraction is five sixty-ninths (5/69) of the net collections of corporate taxes.

Monies in the fund are allocated to Carteret County on the basis of the average daily membership (ADM) for Carteret County Board of Education as determined and certified by the State Board of Education. The Office of State Budget and Management establishes and maintains an ADM allocation account for the County. At June 30, 2002, the balance of the County's ADM allocation account was \$71,324. The County must match this balance on the basis of one dollar for every three dollars of State funds for financing the school unit's facilities capital needs. The local school technology plan does not require a county match.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 16. School Facilities Finance Act of 1987 (Continued)

After approving a school capital project authorized by the Act, the Office of State Budget and Management will transfer funds from the County's ADM allocation account to its disbursing account maintained with the State Treasurer. At June 30, 2002, the County did not have any funds in its disbursing account.

Funds in the allocation and disbursing accounts are considered State monies until the County issues warrants to disburse them. At that time, they are recognized in the General Fund as intergovernmental revenue.

Critical School Facilities Needs Fund:

This program is funded by the net collections of State income taxes imposed on corporations and received by the Department of Revenue. Each quarter, the Department of Revenue deposits \$2.5 million into the fund.

The Commission on School Facilities Needs established a priority list of the counties receiving grants. The Commission on School Facilities Needs has since been abolished. Grants are awarded by the State Board of Education based on the grant priority list. A joint application must have been made by the Carteret County Board of Commissioners and the Carteret County Board of Education.

On October 27, 2000 Carteret County and Carteret County Board of Education were awarded \$2,000,000 to assist in completion of a new Beaufort Elementary School. As of June 30, 2002 this project is not in progress and thus no expenditures have been incurred. This award expires October 27, 2002.

Note 17. Public School Building Bond Act of 1996

The General Assembly passed the Public School Building Bond Act of 1996 to provide for the issuance of \$1.8 billion in State bonds to be used for making grants to counties for qualified public school capital outlay projects. The Department of Public Instruction is responsible for project approval and the distribution of funds. The principal amounts of bonds or notes issued by the State in any twelve-month period may not exceed \$450 million.

Of the total \$1.8 billion authorized, \$30 million will be allocated as grants to counties that have small county school systems, after considering whether the counties demonstrate both greater than average school construction needs and high property tax rates. The primary allocation of \$1.77 billion will be distributed to all counties based on the average daily membership, the ability to pay, and the growth rate of the school administrative units located within each county.

The distribution of the primary allocation is subject to the satisfaction of certain match requirements by the counties. Match requirements may be satisfied by non-State expenditures for public school facilities made on or after January 1, 1992. Carteret County's matching requirement of \$.50 for each dollar of allocated bond proceeds has been fulfilled.

Because the County has met its matching requirement, the County recognized revenues equal to the liabilities incurred for approved project expenditures. Carteret County requests bond funds by project to be transferred to an account established by Carteret County Board of Education for payment of invoices. To date, the County has expended \$6,885,585 of their total allocation of \$6,919,845.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 18. 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.

Construction contracts and Capital Outlays:

At June 30, 2002, the County was party to various contracts or purchase of various fixed assets. Contractual commitments relative to construction projects at June 30, 2002 are as follows:

Capital project funds	<u>\$ 3,829,511</u>
-----------------------	---------------------

Federal and State Assisted Programs:

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

Component Unit Information

Operating Leases:

The Hospital has operating lease commitments as follows: 2002 \$126,811; 2003 \$6,281; 2004 \$3,140. The ABC Board has operating lease commitments as follows: 2003 \$40,574; 2004 \$3,395.

Claims alleging malpractice have been asserted against the Hospital and are currently in various stages of litigation. In addition, incidents occurring through September 30, 2001, may result in the assertion of a claim. In the opinion of management, these actions will be successfully defended or resolved without material adverse effect on the financial position of the Hospital. 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 would comply with this investigation voluntarily with the submission of documentation necessary for the investigation. At September 30, 2001, the amount of potential settlement cannot be reasonably estimated.

The Hospital is involved in a construction project at September 30, 2001. This project is expected to be completed in September 2002. Total estimated cost of this project is \$6,000,000. At September 30, 2001 cost incurred totaled \$1,677,328.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 19. Interfund Receivables and Payables:

Due to/from other funds:

Receivable fund	Payable fund	Amount
General Fund	Occupancy Tax Fund	\$ 327,190
	Salter Path District Fund	2,444
	CDBG 2001 Laurel Road Fund	14,046
	School Projects Fund	57,910
	Health Center Renovations	117,475
		<u>\$ 519,065</u>

Due to/from primary government and component units:

Receivable entity	Payable entity	Amount
Primary government:	Component unit:	
General Fund	Beaufort-Morehead City Airport Authority	\$ 74,834
	Carteret County ABC Board	70,376
		<u>\$ 145,210</u>

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 20. Interfund Transfers

Interfund transfers during the year ended June 30, 2002, can be summarized as follows:

Primary Government:

From General Fund to:

County Capital Improvements Fund	\$ 264,000
Rescue Squad Fund	16,000
Fire District Fund	23,000
E-911 Fund	23,661
School Special Projects Fund	1,006,700
	<u>1,333,361</u>

From County Capital Reserve Fund to:

General Fund	<u>450,000</u>
--------------	----------------

From Occupancy Tax Fund to:

General Fund	<u>856,091</u>
--------------	----------------

From E-911 Fund to:

General Fund	<u>25,000</u>
--------------	---------------

From Newport Middle COPS Funds to:

School Special Projects Fund	<u>728,453</u>
------------------------------	----------------

Totals - Primary Government	<u><u>\$ 3,392,905</u></u>
-----------------------------	----------------------------

Component Units:

Operating Transfers out:

From General Fund to:

Beaufort-Morehead City Airport Authority	\$ 104,820
--	------------

Operating Transfers out:

From Occupancy Room Tax Fund to:

Carteret County Tourism Development Authority	<u>1,495,339</u>
---	------------------

	<u><u>\$ 1,600,159</u></u>
--	----------------------------

Operating Transfers In:

From ABC Board to:

General Fund	<u><u>\$ 192,755</u></u>
--------------	--------------------------

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 21. Pending GASB Statements

At June 30, 2002, the Governmental Accounting Standards Board has issued several statements not yet implemented by the unit. The Statements which will have a significant effect on the unit are as follows:

Statement No. 34 (and subsequent amendments) "Basic Financial Statements – and Management Discussion and Analysis – For State and Local Governments" were the culmination of many years of study and deliberation by the GASB. Due to the significance of these statements, an extended disclosure is included below.

For the first time, financial managers will be required to share their insights in a management's discussion and analysis (MD&A) that gives readers an analysis of the government's overall financial position and results of the previous year's operations.

Financial statements will present a government-wide perspective (new) and a fund level perspective. For the first time, the annual report will include government wide financial statements prepared using *full accrual* accounting for *all of the government's activities*—not just those that cover costs by charging a fee for services, as was previously required. Governments will report all capital assets, including infrastructure, in a government-wide *statement of net assets* and will report depreciation expense—the cost of "using up" capital assets—in the statement of activities. Infrastructure assets will be reported, but may not be required to be depreciated under certain circumstances. The net assets of a government will be broken down into three categories—*invested in capital assets, net of related debt; restricted; and unrestricted*. A *statement of activities* will be presented in at least the same level of detail provided in the governmental fund statements—generally, expenses and program revenues by function. Program expenses will include all direct expenses; governments that allocate overhead and other indirect expenses to individual programs will show the allocation in a separate column. *Special and extraordinary* items will be reported separately from other revenues and expenses. This way, users will see if the government's conventional, recurring revenues and expenses balanced.

Statement 34 requires governments to continue to present fund level financial statements with information about funds. The focus of these fund-based statements has been changed, however, by requiring governments to report information about their most important or *major* funds (those whose revenues, expenditures/expenses, assets, or liabilities are at least 10 percent of the total for their fund category or type (governmental or enterprise) and at least 5 percent of the aggregate amount for all governmental and enterprise funds), including a government's "general fund." Fund-based statements for governmental activities (generally, those supported by tax revenues) will continue to report the flow of *current financial resources* (generally, cash and other assets that can easily be converted to cash).

To help users understand and assess the relationship between fund-based and government-wide financial statements, governments will present a summary reconciliation that will show the interplay between the two types of statements.

Governments will continue to provide budgetary comparison information in their annual reports - as required supplementary information. An important change, however, is a requirement to add the government's *original budget* to the current comparison of final budget and actual results.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 21. Pending GASB Statements (Continued)

The requirements of Statements 34 and subsequent amendments are effective with fiscal year ending after June 15, 2003.

Note 22. Subsequent Events

On August 8, 2002, Carteret County issued certificates of participation for the financing of the construction of the new Beaufort Elementary School, construction of the Western Library, refunding of the health center installment purchase and refunding of 1992 certificates of participation. The County entered in to the financing agreement with a bank in the amount of \$12,630,000. The first annual payment will include \$670,000 of principal, plus interest at 3.0% and will be due June 1, 2003.

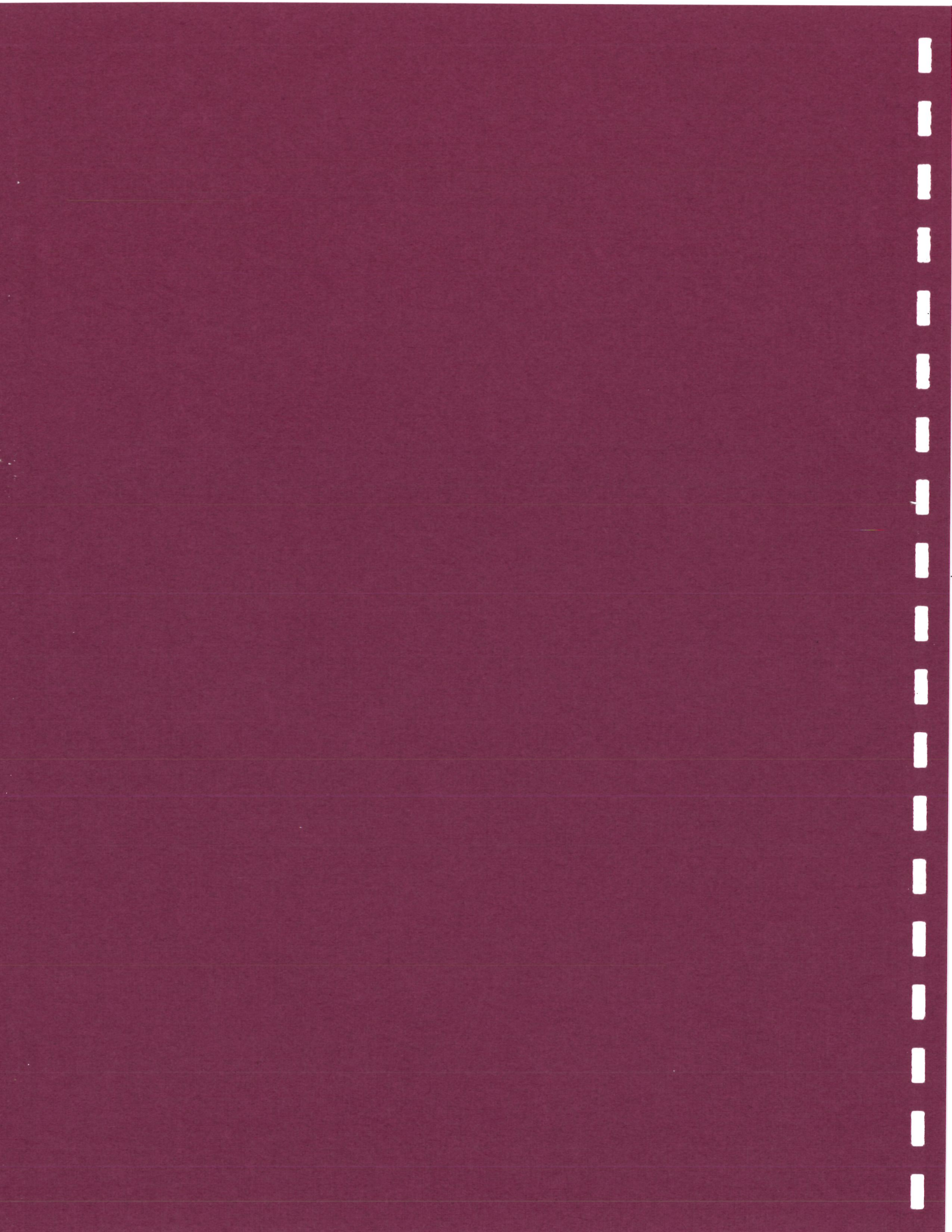
In September 2002, the County adopted two capital project ordinances as follows:

- (1) \$7,600,000 for the Beaufort Elementary School
- (2) \$7,600,000 for the Carteret Community College

The County expects to issue \$7.6 million of general obligation bonds for the Carteret Community College project in December 2002.

GENERAL FUND

The General Fund accounts for all services provided by Carteret County, except for those activities which require specialized treatment and are thus presented elsewhere in the Report.



**CARTERET COUNTY, NORTH CAROLINA
GENERAL FUND**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2002**

(Page 1 of 10)

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE			
Ad valorem taxes:			
Current period	\$ 31,093,270	\$ 30,443,658	\$ (649,612)
Prior years	762,000	959,363	197,363
Interest and penalties	205,000	241,085	36,085
	<u>32,060,270</u>	<u>31,644,106</u>	<u>(416,164)</u>
Other taxes and licenses:			
Intangible taxes	685,000	732,636	47,636
ABC local bottle tax	18,000	18,444	444
Local option sales tax	10,217,800	10,180,196	(37,604)
Scrap tire disposal tax	88,810	88,154	(656)
Food stamp tax	33,500	33,507	7
	<u>11,043,110</u>	<u>11,052,937</u>	<u>9,827</u>
Permits and fees:			
Building permits and inspections fees	270,000	289,453	19,453
Sheriff fees	29,000	13,271	(15,729)
Register of deeds	850,000	956,887	106,887
Privilege licenses	26,500	22,978	(3,522)
Franchise fees	165,000	197,833	32,833
Other fees	81,250	122,416	41,166
	<u>1,421,750</u>	<u>1,602,838</u>	<u>181,088</u>
Intergovernmental:			
Restricted:			
Federal and State grants	8,685,811	8,467,959	(217,852)
Court facilities fees	210,000	257,457	47,457
Unrestricted:			
Payments in lieu of taxes	9,900	78,934	69,034
Inventory tax reimbursements	213,600	214,147	547
Beer and wine tax	-	-	-
Sales and gas tax refunds	50,000	62,807	12,807
Reimbursement for homestead exemption	-	-	-
Croatan National Forest	39,000	80,677	41,677
	<u>9,208,311</u>	<u>9,161,981</u>	<u>(46,330)</u>
Sales and services:			
Mapping	3,000	1,825	(1,175)
Solid waste	1,028,975	1,115,755	86,780
Civic center fees	99,770	108,380	8,610
Other	366,521	341,291	(25,230)
	<u>1,498,266</u>	<u>1,567,251</u>	<u>68,985</u>
Interest	292,100	308,460	16,360
Miscellaneous:			
Proceeds from sale of fixed assets	26,000	20,434	(5,566)
Other	103,525	154,965	51,440
	<u>129,525</u>	<u>175,399</u>	<u>45,874</u>
Total revenue	<u>55,653,332</u>	<u>55,512,972</u>	<u>(140,360)</u>

Continued

CARTERET COUNTY, NORTH CAROLINA
GENERAL FUND

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2002

(Page 2 of 10)

	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES			
General government:			
Governing body:			
Salaries and employee benefits	\$ 40,935	\$ 44,915	\$ (3,980)
Operating expenses	127,900	126,241	1,659
Professional services	95,600	90,054	5,546
	<u>264,435</u>	<u>261,210</u>	<u>3,225</u>
Administration:			
Salaries and employee benefits	178,133	173,742	4,391
Operating expenses	44,575	45,209	(634)
	<u>222,708</u>	<u>218,951</u>	<u>3,757</u>
Information systems:			
Salaries and employee benefits	104,175	104,632	(457)
Operating expenses	104,425	100,300	4,125
	<u>208,600</u>	<u>204,932</u>	<u>3,668</u>
Finance:			
Salaries and employee benefits	292,993	294,742	(1,749)
Operating expenses	54,060	42,170	11,890
	<u>347,053</u>	<u>336,912</u>	<u>10,141</u>
Taxes:			
Salaries and employee benefits	690,825	692,764	(1,939)
Operating expenses	135,735	137,348	(1,613)
Contract services	96,050	91,649	4,401
	<u>922,610</u>	<u>921,761</u>	<u>849</u>
Revaluation:			
Salaries and employee benefits	120,470	119,376	1,094
Operating expenses	18,700	16,390	2,310
Capital outlay	13,785	13,784	1
	<u>152,955</u>	<u>149,550</u>	<u>3,405</u>
Legal:			
Professional services	40,032	40,031	1
Court facilities:			
Operating expenses	28,468	20,926	7,542
Contract services	1,800	1,800	-
	<u>30,268</u>	<u>22,726</u>	<u>7,542</u>
Elections:			
Salaries and employee benefits	114,810	110,131	4,679
Operating expenses	68,561	47,304	21,257
Capital outlay	12,695	12,695	-
	<u>196,066</u>	<u>170,130</u>	<u>25,936</u>
Register of deeds:			
Salaries and employee benefits	224,312	222,734	1,578
Operating expenses	148,389	138,976	9,413
Capital outlay	7,000	6,686	314
	<u>379,701</u>	<u>368,396</u>	<u>11,305</u>

Continued

**CARTERET COUNTY, NORTH CAROLINA
GENERAL FUND**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2002**

(Page 3 of 10)	Budget	Actual	Variance Favorable (Unfavorable)
Public buildings:			
Salaries and employee benefits	\$ 186,162	\$ 189,688	\$ (3,526)
Operating expenses	418,485	406,552	11,933
	<u>604,647</u>	<u>596,240</u>	<u>8,407</u>
Total general government	<u>3,369,075</u>	<u>3,290,839</u>	<u>78,236</u>
Public safety:			
Sheriff:			
Salaries and employee benefits	1,640,454	1,621,976	18,478
Operating expenses	337,231	363,654	(26,423)
Capital outlay	194,893	154,844	40,049
	<u>2,172,578</u>	<u>2,140,474</u>	<u>32,104</u>
Communications:			
Salaries and employee benefits	307,068	301,313	5,755
Operating expenses	49,795	43,332	6,463
	<u>356,863</u>	<u>344,645</u>	<u>12,218</u>
Sheriff - Jail division:			
Salaries and employee benefits	973,926	953,713	20,213
Operating expenses	360,190	389,521	(29,331)
Contract services	197,000	186,425	10,575
Capital outlay	18,500	18,554	(54)
	<u>1,549,616</u>	<u>1,548,213</u>	<u>1,403</u>
Sheriff - Teen court			
Salaries and employee benefits	41,785	26,961	14,824
Operating expenses	5,073	3,600	1,473
	<u>46,858</u>	<u>30,561</u>	<u>16,297</u>
Emergency medical service:			
Salaries and employee benefits	55,277	54,433	844
Operating expenses	10,900	11,425	(525)
Contract services	14,000	14,004	(4)
	<u>80,177</u>	<u>79,862</u>	<u>315</u>
Paramedic operations:			
Salaries and employee benefits	58,840	49,764	9,076
Operating expenses	56,270	48,626	7,644
Capital outlay	104,000	99,888	4,112
	<u>219,110</u>	<u>198,278</u>	<u>20,832</u>
Emergency management:			
Salaries and employee benefits	28,002	28,334	(332)
Operating expenses	9,250	6,745	2,505
Capital outlay	(1,000)	-	(1,000)
Contract services	5,000	5,000	-
	<u>41,252</u>	<u>40,079</u>	<u>1,173</u>

Continued

CARTERET COUNTY, NORTH CAROLINA
GENERAL FUND

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2002

(Page 4 of 10)

	Budget	Actual	Variance Favorable (Unfavorable)
Rape crisis program:			
Salaries and employee benefits	\$ 111,958	\$ 112,761	\$ (803)
Operating expenses	22,800	21,541	1,259
Contract services	10,300	10,378	(78)
	<u>145,058</u>	<u>144,680</u>	<u>378</u>
Domestic violence program:			
Operating expenses	83,151	79,926	3,225
Fire:			
Salaries and employee benefits	54,044	46,903	7,141
Operating expenses	10,751	6,829	3,922
	<u>64,795</u>	<u>53,732</u>	<u>11,063</u>
Central permit:			
Salaries and employee benefits	274,387	281,779	(7,392)
Operating expenses	47,991	32,413	15,578
	<u>322,378</u>	<u>314,192</u>	<u>8,186</u>
Medical examiner:			
Professional services	36,000	33,425	2,575
Animal control:			
Salaries and employee benefits	159,372	172,862	(13,490)
Operating expenses	176,510	162,553	13,957
	<u>335,882</u>	<u>335,415</u>	<u>467</u>
Total public safety	<u>5,453,718</u>	<u>5,343,482</u>	<u>110,236</u>
Transportation:			
Harbors:			
Operating expenses	16,200	12,098	4,102
CCATS:			
Salaries and employee benefits	59,323	55,334	3,989
Operating expenses	255,154	230,222	24,932
Contract services	1,000	390	610
Capital outlay	61,860	34,321	27,539
	<u>377,337</u>	<u>320,267</u>	<u>57,070</u>
Total transportation	<u>393,537</u>	<u>332,365</u>	<u>61,172</u>

Continued

**CARTERET COUNTY, NORTH CAROLINA
GENERAL FUND**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2002**

(Page 5 of 10)

	Budget	Actual	Variance Favorable (Unfavorable)
Environmental protection:			
Forest fire control	\$ 93,667	\$ 72,512	\$ 21,155
Landfill closure	3,000	2,331	669
Tri-County solid waste collections	2,071,810	2,061,128	10,682
Soil conservation:			
Salaries and employee benefits	58,218	59,513	(1,295)
Operating expenses	13,636	9,145	4,491
	71,854	68,658	3,196
Public works:			
Salaries and employee benefits	193,078	196,846	(3,768)
Operating expenses	150,072	136,990	13,082
Contract services	4,500	9,254	(4,754)
	347,650	343,090	4,560
 Total environmental protection	2,587,981	2,547,719	40,262
Economic and physical development:			
Special appropriations:			
Economic Development Council	190,000	165,000	25,000
Contribution to MHC	60,000	-	60,000
Port committee	2,000	2,000	-
Business Development	-	25,000	(25,000)
Mainstreet program	10,000	10,000	-
	262,000	202,000	60,000
Beach nourishment			
Salaries and employee benefits	36,330	30,470	5,860
Operating expenses	556,670	560,091	(3,421)
Contract services	39,000	41,281	(2,281)
	632,000	631,842	158
Comprehensive planning:			
Contract services	68,000	43,300	24,700
	68,000	43,300	24,700
Planning and zoning:			
Salaries and employee benefits	147,975	145,068	2,907
Operating expenses	31,872	31,402	470
	179,847	176,470	3,377
Engineering:			
Salaries and employee benefits	84,860	79,706	5,154
Operating expenses	15,710	13,305	2,405
	100,570	93,011	7,559

Continued

CARTERET COUNTY, NORTH CAROLINA
GENERAL FUND

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2002

(Page 6 of 10)

	Budget	Actual	Variance Favorable (Unfavorable)
Agricultural extension:			
Salaries and employee benefits	\$ 147,712	\$ 144,512	\$ 3,200
Operating expenses	50,225	42,219	8,006
	<u>197,937</u>	<u>186,731</u>	<u>11,206</u>
Total economic and physical development	1,440,354	1,333,354	107,000
Human Services:			
State smart start grant:			
Salaries and fringe benefits	30,826	30,158	668
Operating supplies	5,239	5,078	161
Contract services	5,600	5,931	(331)
	<u>41,665</u>	<u>41,167</u>	<u>498</u>
Smart start parents:			
Salaries and employee benefits	46,906	46,243	663
Operating expenses	17,449	17,409	40
Capital outlay	5,000	4,747	253
	<u>69,355</u>	<u>68,399</u>	<u>956</u>
Health center:			
Salaries and employee benefits	753,633	659,326	94,307
Operating expenses	272,614	158,031	114,583
Capital outlay	355,000	351,475	3,525
	<u>1,381,247</u>	<u>1,168,832</u>	<u>212,415</u>
Health promotion:			
Salaries and employee benefits	60,078	52,683	7,395
Operating expenses	14,857	14,251	606
	<u>74,935</u>	<u>66,934</u>	<u>8,001</u>
Clinical services, cancer, glaucoma, diabetes:			
Salaries and employee benefits	32,842	24,831	8,011
Operating expenses	15,300	11,234	4,066
	<u>48,142</u>	<u>36,065</u>	<u>12,077</u>
Tuberculosis control program:			
Salaries and employee benefits	51,388	52,020	(632)
Operating expenses	1,025	152	873
	<u>52,413</u>	<u>52,172</u>	<u>241</u>
Kidney:			
Salaries and employee benefits	9,361	9,655	(294)
Operating expenses	1,688	1,009	679
	<u>11,049</u>	<u>10,664</u>	<u>385</u>
Women, infants, and children:			
Administration:			
Salaries and employee benefits	138,942	128,191	10,751
Operating expenses	4,150	3,496	654
	<u>143,092</u>	<u>131,687</u>	<u>11,405</u>

Continued

**CARTERET COUNTY, NORTH CAROLINA
GENERAL FUND**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2002**

(Page 7 of 10)

	Budget	Actual	Variance Favorable (Unfavorable)
Nutrition:			
Salaries and employee benefits	\$ 32,488	\$ 32,179	\$ 309
Operating expenses	100	59	41
	<u>32,588</u>	<u>32,238</u>	<u>350</u>
Child care coordination:			
Salaries and employee benefits	213,525	214,061	(536)
Operating expenses	7,300	4,788	2,512
	<u>220,825</u>	<u>218,849</u>	<u>1,976</u>
Maternal adult and child health:			
Salaries and employee benefits	342,742	325,131	17,611
Operating expenses	26,197	19,836	6,361
	<u>368,939</u>	<u>344,967</u>	<u>23,972</u>
Environmental Health:			
Salaries and employee benefits	681,297	675,300	5,997
Operating expenses	61,671	56,406	5,265
Capital outlay	24,987	24,987	-
	<u>767,955</u>	<u>756,693</u>	<u>11,262</u>
Mental health:			
Mental health center and other	234,075	234,075	-
Mental health, ABC	18,000	18,000	-
	<u>252,075</u>	<u>252,075</u>	<u>-</u>
DSS Administration:			
Salaries and employee benefits	3,248,806	3,226,428	22,378
Operating expenses	299,198	298,889	309
Professional services	30,000	39,648	(9,648)
Capital outlay	15,000	14,535	465
	<u>3,593,004</u>	<u>3,579,500</u>	<u>13,504</u>
General assistance:			
Boarding home	61,500	65,915	(4,415)
Clothing and medical expense	32,000	32,378	(378)
Special children adoption	13,000	11,373	1,627
Miscellaneous	14,500	10,689	3,811
	<u>121,000</u>	<u>120,355</u>	<u>645</u>
TANF Block grant:			
TANF Block grant	228,000	182,735	45,265
Operating expenses	86,000	78,025	7,975
	<u>314,000</u>	<u>260,760</u>	<u>53,240</u>
DSS special assistance	<u>5,168,798</u>	<u>4,890,449</u>	<u>278,349</u>

Continued

CARTERET COUNTY, NORTH CAROLINA
GENERAL FUND

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2002

(Page 8 of 10)

	Budget	Actual	Variance Favorable (Unfavorable)
Special projects	\$ 396,755	\$ 187,876	\$ 208,879
Other human services	710,514	504,913	205,601
CBA juvenile restitution program:			
Salaries and employee benefits	36,718	32,503	4,215
Operating expenses	6,294	5,715	579
Contract services	4,500	5,754	(1,254)
	47,512	43,972	3,540
Senior Center Operation:			
Salaries and employee benefits	140,865	124,953	15,912
Operating expenses	46,247	46,523	(276)
Contract services	107,183	112,101	(4,918)
	294,295	283,577	10,718
Title V grant:			
Salaries and employee benefits	47,013	46,579	434
Operating expenses	1,183	672	511
Contract services	50	-	50
	48,246	47,251	995
Title III F grant:			
Salaries and employee benefits	5,054	5,540	(486)
Operating expenses	8,056	7,542	514
	13,110	13,082	28
Veteran services:			
Salaries and employee benefits	126,385	125,372	1,013
Operating expenses	23,481	22,923	558
Contract services	500	470	30
	150,366	148,765	1,601
Total human services	14,321,880	13,261,242	1,060,638
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	400,163	359,820	40,343
Operating expenses	200,222	171,604	28,618
Contract services	44,500	33,982	10,518
Capital outlay	13,785	13,784	1
	658,670	579,190	79,480
Parks and recreation maintenance:			
Salaries and employee benefits	290,008	279,156	10,852
Operating expenses	146,596	146,711	(115)
Contract services	23,664	18,242	5,422
Capital outlay	196,955	25,271	171,684
	657,223	469,380	187,843
Senior center:			
Salaries and employee benefits	96,322	86,155	10,167
Operating expenses	58,023	63,830	(5,807)
Contract services	2,085	534	1,551
Capital outlay	58,300	-	58,300
	214,730	150,519	64,211

Continued

**CARTERET COUNTY, NORTH CAROLINA
GENERAL FUND**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2002**

(Page 9 of 10)

	Budget	Actual	Variance Favorable (Unfavorable)
Civic center:			
Salaries and employee benefits	\$ 148,792	\$ 147,947	\$ 845
Operating expenses	123,092	105,136	17,956
Contract services	3,145	3,592	(447)
	<u>275,029</u>	<u>256,675</u>	<u>18,354</u>
Carteret County Library:			
Appropriations to Tri-County Library	532,464	532,464	-
Total culture and recreation	<u>2,338,116</u>	<u>1,988,228</u>	<u>349,888</u>
Education:			
Public schools, current expense	18,172,777	18,161,653	11,124
Public schools, capital outlay	46,092	45,219	873
Community college, current expense	1,224,688	1,224,688	-
Community college, capital outlay	210,000	139,053	70,947
Total education	<u>19,653,557</u>	<u>19,570,613</u>	<u>82,944</u>
Debt service:			
Principal retirement	3,511,491	3,511,418	73
Interest and fees	2,588,600	2,588,362	238
Total debt service	<u>6,100,091</u>	<u>6,099,780</u>	<u>311</u>
Total expenditures	<u>55,658,309</u>	<u>53,767,622</u>	<u>1,890,687</u>
Revenue over (under) expenditures	<u>(4,977)</u>	<u>1,745,350</u>	<u>1,750,327</u>

Continued

**CARTERET COUNTY, NORTH CAROLINA
GENERAL FUND**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2002**

(Page 10 of 10)

	Budget	Actual	Variance Favorable (Unfavorable)
OTHER FINANCING SOURCES (USES)			
Operating transfer (to) from component units:			
From Carteret County ABC Board	\$ 160,000	\$ 192,755	\$ 32,755
Beaufort-Morehead City Airport Authority	(120,820)	(104,820)	16,000
Operating transfers in (out):			
From CDBG Rehabilitation Fund	6,418	-	(6,418)
From Carteret County Bond Fund	18,304	-	(18,304)
From Occupancy Tax Fund	355,813	856,091	500,278
From E-911 Fund	25,000	25,000	-
From Capital Reserve	450,000	450,000	-
From Newport Middle COPS Fund	256,000	-	(256,000)
To School Special Projects Fund	(1,233,695)	(1,006,700)	226,995
To Capital Improvements Fund	(264,000)	(264,000)	-
To Rescue Squad Fund	(16,000)	(16,000)	-
To Fire District Fund	(23,000)	(23,000)	-
To E - 911 Fund	-	(23,661)	(23,661)
Appropriated fund balance	390,957	-	(390,957)
Total other financing sources	4,977	85,665	80,688
Revenue and other sources over expenditures and other uses	\$ -	1,831,015	\$ 1,831,015
FUND BALANCE, beginning		12,175,997	
Residual equity transfers in		2,764	
FUND BALANCE, ending		<u>\$ 14,009,776</u>	

SPECIAL REVENUE FUNDS

The Special Revenue Funds account for proceeds of revenue sources that are restricted to expenditures for specific purposes. These funds are established under the provisions of the North Carolina General Statutes. (Individual fund descriptions are on the next page.)

The following comprise the County's Special Revenue Funds:

Rescue Squad Fund - This fund is used to account for the special rescue tax assessed on rural areas of the County and subsequent disbursements of that tax to the various rescue squad districts.

Fire District Fund - This fund is used to account for the special fire tax assessed on rural areas of the County and subsequent disbursements of that tax to the various fire districts.

Emergency 911 Fund - This fund accounts for the special tax assessed to the County's taxpayers in order to provide the 911 service.

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

Community Development Block Grant Rehabilitation Fund - This fund is used to account for the community development block grant that is funding the revitalization project for substandard housing in Carteret County water and sewer improvements, and rehabilitation of privately owned dwellings.

Industrial Park Fund - This fund is used to account for construction at the County's industrial park location.

Community Development Block Grant - Jarrett Bay Fund - This fund is being used to account for the CDBG-Jarrett Bay the county has been awarded. This project is a joint effort between private industry and the county to build a marine industrial park in the eastern part of Carteret County.

1997 Fran DRI Grant Fund - This fund accounts for housing rehabilitation for homes that are substandard due to Hurricane Fran.

Salter Path District Fund - This fund is a special tax district that was established to fund beach nourishment in the Salter Path community.

Laurel Road Grant Fund - This fund accounts for the community development block grant that funds a revitalization project for substandard housing in Carteret County and water improvements on Laurel Road.

1998 Bonnie DRI Grant Fund - This fund accounts for housing rehabilitation for homes that are substandard due to Hurricane Bonnie.

THIS PAGE WAS INTENTIONALLY LEFT BLANK

CARTERET COUNTY, NORTH CAROLINA
SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET
June 30, 2002

	Rescue Squad Fund	Fire District Fund	Emergency 911 Fund	Occupancy Tax Fund
ASSETS				
Cash and investments	\$ 9,942	\$ 20,972	\$ 491,016	\$ 297,865
Receivables:				
Property taxes receivable	110,638	183,683	-	-
Accounts receivable	77,816	130,924	23,913	657,492
Total assets	\$ 198,396	\$ 335,579	\$ 514,929	\$ 955,357
LIABILITIES AND EQUITY (DEFICIT)				
Liabilities:				
Accounts payable	\$ 97,977	\$ 151,912	\$ 1,636	\$ 624,830
Due to other funds	-	-	-	327,190
Deferred revenue	110,638	183,683	-	3,114
Total liabilities	208,615	335,595	1,636	955,134
Equity (Deficit):				
Reserved by State statute	77,816	130,924	23,913	654,378
Unreserved:				
Designated for subsequent year's expenditures	-	-	200,973	-
Undesignated	(88,035)	(130,940)	288,407	(654,155)
Total equity (deficit)	(10,219)	(16)	513,293	223
Total liabilities and equity	\$ 198,396	\$ 335,579	\$ 514,929	\$ 955,357

Salter Path District Fund	CDBG 2001 Laurel Road Fund	Totals
\$ -	\$ -	\$ 819,795
1,118	-	295,439
-	17,296	907,441
<u>\$ 1,118</u>	<u>\$ 17,296</u>	<u>\$ 2,022,675</u>

\$ -	\$ 3,250	\$ 879,605
2,444	14,046	343,680
1,118	-	298,553
<u>3,562</u>	<u>17,296</u>	<u>1,521,838</u>

-	17,296	904,327
	-	200,973
<u>(2,444)</u>	<u>(17,296)</u>	<u>(604,463)</u>
<u>(2,444)</u>	<u>-</u>	<u>500,837</u>
<u>\$ 1,118</u>	<u>\$ 17,296</u>	<u>\$ 2,022,675</u>

CARTERET COUNTY, NORTH CAROLINA
SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICIT)
For the Fiscal Year Ended June 30, 2002

	Rescue Squad Fund	Fire District Fund	Emergency 911 Fund	Occupancy Tax Fund
REVENUES				
Ad valorem taxes	\$ 1,091,741	\$ 1,799,008	\$ -	\$ -
Other taxes and licenses	310,790	541,260	323,151	2,831,114
Intergovernmental	-	-	-	-
Interest	-	1,754	7,760	2,579
Total revenue	<u>1,402,531</u>	<u>2,342,022</u>	<u>330,911</u>	<u>2,833,693</u>
EXPENDITURES				
Public safety	1,417,531	2,365,022	374,741	-
Economic and physical development	-	-	-	482,040
Total expenditures	<u>1,417,531</u>	<u>2,365,022</u>	<u>374,741</u>	<u>482,040</u>
Revenue over (under) expenditures	<u>(15,000)</u>	<u>(23,000)</u>	<u>(43,830)</u>	<u>2,351,653</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out to component units	-	-	-	(1,495,339)
Operating transfers in	16,000	23,000	23,661	-
Operating transfers out	-	-	(25,000)	(856,091)
Total other financing sources (uses)	<u>16,000</u>	<u>23,000</u>	<u>(1,339)</u>	<u>(2,351,430)</u>
Revenue and other financing sources over (under) expenditures and other financing uses	1,000	-	(45,169)	223
FUND BALANCES (DEFICIT), beginning	(11,219)	(16)	558,462	-
Residual equity transfers out	-	-	-	-
FUND BALANCES (DEFICIT), ending	<u>\$ (10,219)</u>	<u>\$ (16)</u>	<u>\$ 513,293</u>	<u>\$ 223</u>

CDBG Rehabilitation Fund	Industrial Park Fund	CDBG Jarrett Bay Fund	1997 Fran DRI Grant Fund	Salter Path District Fund	CDBG Laurel Road Fund	1998 Bonnie DRI Grant Fund	Totals
\$ -	\$ -	\$ -	\$ -	\$ 18,081	\$ -	\$ -	\$ 2,908,830
-	-	-	-	-	-	-	4,006,315
-	-	-	283,061	-	17,296	475,415	775,772
-	-	-	-	-	-	-	12,093
-	-	-	283,061	18,081	17,296	475,415	7,703,010
-	-	-	-	-	-	-	4,157,294
-	-	-	283,061	20,525	17,296	475,415	1,278,337
-	-	-	283,061	20,525	17,296	475,415	5,435,631
-	-	-	-	(2,444)	-	-	2,267,379
-	-	-	-	-	-	-	(1,495,339)
-	-	-	-	-	-	-	62,661
-	-	-	-	-	-	-	(881,091)
-	-	-	-	-	-	-	(2,313,769)
-	-	-	-	(2,444)	-	-	(46,390)
2,764	18,304	6,418	-	-	-	-	574,713
(2,764)	(18,304)	(6,418)	-	-	-	-	(27,486)
\$ -	\$ -	\$ -	\$ -	\$ (2,444)	\$ -	\$ -	\$ 500,837

**CARTERET COUNTY, NORTH CAROLINA
RESCUE SQUAD FUND**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
(DEFICIT)**

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2002

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE			
Ad valorem taxes	\$ 1,113,303	\$ 1,091,741	\$ (21,562)
Other taxes and licenses:			
Local option sales tax	378,946	308,829	(70,117)
Payments in lieu of taxes	4,500	1,961	(2,539)
Interest	9,500	-	(9,500)
Total revenue	<u>1,506,249</u>	<u>1,402,531</u>	<u>(103,718)</u>
EXPENDITURES			
Public safety:			
County allocation	16,000	15,000	1,000
Beaufort	288,992	287,247	1,745
Broad and Gales Creek	54,450	52,347	2,103
Cape Carteret	308,245	300,984	7,261
Sea Level	207,157	199,458	7,699
Mitchell Village	129,640	127,733	1,907
Otway	116,253	115,645	608
Mill Creek	8,566	8,326	240
Operating expenses	4,500	1,962	2,538
Local sales tax and inventory reimbursement	388,446	308,829	79,617
Total expenditures	<u>1,522,249</u>	<u>1,417,531</u>	<u>104,718</u>
Revenue over (under) expenditures	<u>(16,000)</u>	<u>(15,000)</u>	<u>1,000</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers from General Fund	16,000	16,000	-
Total Other Financing Sources (Uses)	<u>16,000</u>	<u>16,000</u>	<u>-</u>
Revenue over (under) expenditures and other financing uses	<u>\$ -</u>	<u>1,000</u>	<u>\$ 1,000</u>
FUND BALANCE, beginning		<u>(11,219)</u>	
FUND BALANCE, ending		<u>\$ (10,219)</u>	

**CARTERET COUNTY, NORTH CAROLINA
FIRE DISTRICT FUND**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
(DEFICIT)**

**BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2002**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE			
Ad valorem taxes	\$ 1,825,301	\$ 1,799,008	\$ (26,293)
Other taxes and licenses:			
Local option sales tax	751,809	519,599	(232,210)
Payments in lieu of taxes	35,268	21,661	(13,607)
Interest	12,000	1,754	(10,246)
Total revenue	<u>2,624,378</u>	<u>2,342,022</u>	<u>(282,356)</u>
EXPENDITURES			
Public safety:			
Fire Districts:			
County allocations	23,000	23,000	-
Atlantic	22,740	21,733	(1,007)
Broad and Gales Creek	81,621	92,900	11,279
Mill Creek	20,526	17,007	(3,519)
Newport	139,969	138,515	(1,454)
Atlantic Beach	4,570	5,527	957
Mitchell Village, Crab Point	259,256	255,377	(3,879)
Davis	47,930	46,439	(1,491)
Harlowe	29,661	29,477	(184)
Marshallberg	70,176	67,828	(2,348)
Cape Carteret	379,435	364,766	(14,669)
Otway	48,772	48,534	(238)
Wildwood	187,225	185,224	(2,001)
Salter Path	95,665	94,651	(1,014)
North River	17,416	20,021	2,605
Beaufort	160,130	157,152	(2,978)
Stacy	15,440	15,275	(165)
Stella	37,215	35,816	(1,399)
Sea Level	23,180	28,812	5,632
Cedar Island	23,750	21,331	(2,419)
South River	66,550	62,380	(4,170)
Harkers Island	94,074	90,243	(3,831)
Operating expenses	12,000	1,754	(10,246)
Local sales tax and inventory reimbursements	787,077	541,260	245,817
Total expenditures	<u>2,647,378</u>	<u>2,365,022</u>	<u>282,356</u>
Revenue (under) over expenditures	<u>(23,000)</u>	<u>(23,000)</u>	<u>(564,712)</u>
OTHER FINANCING SOURCES			
Operating transfers from General Fund	23,000	23,000	-
Revenue over (under) expenditures and other financing uses	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE, beginning		<u>(16)</u>	
FUND BALANCE, ending		<u>\$ (16)</u>	

**CARTERET COUNTY, NORTH CAROLINA
EMERGENCY 911 FUND**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2002**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE			
Other taxes and licenses:			
Emergency 911 wireless assessment	\$ 60,000	\$ 54,207	\$ (5,793)
Emergency 911 telephone assessment	204,000	268,944	64,944
Interest	20,000	7,760	(12,240)
Total revenue	<u>284,000</u>	<u>330,911</u>	<u>46,911</u>
EXPENDITURES			
Public safety:			
Salaries and fringe benefits	31,159	32,487	(1,328)
Operating expenses	199,900	196,983	2,917
Contracted services	64,000	60,518	3,482
Capital outlay	156,000	84,753	71,247
Total expenditures	<u>451,059</u>	<u>374,741</u>	<u>76,318</u>
Revenue (under) over expenditures	<u>(167,059)</u>	<u>(43,830)</u>	<u>123,229</u>
OTHER FINANCING SOURCES			
Transfers in	-	23,661	(23,661)
Transfers out	(25,000)	(25,000)	-
Fund balance appropriated	192,059	-	(192,059)
	<u>167,059</u>	<u>(1,339)</u>	<u>(168,398)</u>
Revenue and other financing sources over (under) expenditures	<u>\$ -</u>	<u>(45,169)</u>	<u>\$ (45,169)</u>
FUND BALANCE, beginning		<u>558,462</u>	
FUND BALANCE, ending		<u>\$ 513,293</u>	

**CARTERET COUNTY, NORTH CAROLINA
OCCUPANCY TAX FUND**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2002

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE			
Other taxes and licenses:			
Occupancy taxes	\$ 1,776,865	\$ 2,830,342	\$ 1,053,477
Occupancy taxes penalties and interest	908,800	772	(908,028)
Interest	4,800	2,579	(2,221)
Total revenue	<u>2,690,465</u>	<u>2,833,693</u>	<u>143,228</u>
EXPENDITURES			
Economic and physical development:			
Tourism:			
Morehead	160,570	163,287	(2,717)
Atlantic Beach	85,700	74,512	11,188
Pine Knoll Shores	32,556	28,933	3,623
Indian Beach	8,760	7,962	798
Emerald Isle	99,050	88,006	11,044
Cape Carteret	16,870	20,707	(3,837)
Beaufort	44,850	60,794	(15,944)
Newport	25,080	30,798	(5,718)
Cedar Point	2,310	3,169	(859)
Bogue	620	805	(185)
Peletier	570	488	82
Operating expenses	4,800	2,579	2,221
Total expenditures	<u>481,736</u>	<u>482,040</u>	<u>(304)</u>
Revenue over expenditures	<u>2,208,729</u>	<u>2,351,653</u>	<u>142,924</u>
OTHER FINANCING USES			
Operating transfer out to component unit	(1,423,986)	(1,495,339)	(71,353)
Operating transfer out to General Fund	(784,743)	(856,091)	(71,348)
Total other financing uses	<u>(2,208,729)</u>	<u>(2,351,430)</u>	<u>(142,701)</u>
Revenue over (under) expenditures and other financing uses	<u>\$ -</u>	<u>223</u>	<u>\$ 223</u>
FUND BALANCE (DEFICIT), beginning		<u>-</u>	
FUND BALANCE, ending		<u>\$ 223</u>	

**CARTERET COUNTY, NORTH CAROLINA
CDBG REHABILITATION FUND**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL**

From Inception and For the Fiscal Year Ended June 30, 2002

	Total Project Estimate	Actual		Total To Date
		Prior Years	Current Year	
REVENUE				
Intergovernmental:				
Community Development Block Grant	\$ 750,000	\$ 705,567	\$ -	\$ 705,567
Total revenue	<u>750,000</u>	<u>705,567</u>	<u>-</u>	<u>705,567</u>
EXPENDITURES				
Economic and physical development:				
Acquisition	(20,500)	-	-	-
Disposition	(1,000)	-	-	-
Clearance activities	170,300	99,224	-	99,224
Relocation assistance	349,000	341,805	-	341,805
C1 Rehabilitation	145,400	108,096	-	108,096
L1 Rehabilitation	112,500	128,757	-	128,757
Administration	44,300	74,921	-	74,921
Total expenditures	<u>800,000</u>	<u>752,803</u>	<u>-</u>	<u>752,803</u>
Revenue over (under) expenditures	(50,000)	(47,236)	-	(47,236)
OTHER FINANCING SOURCES				
Operating transfers from General Fund	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Revenue and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 2,764</u>	<u>-</u>	<u>\$ 2,764</u>
FUND BALANCE, beginning			2,764	
Residual equity transfers out			<u>(2,764)</u>	
FUND BALANCE, ending			<u>\$ -</u>	

**CARTERET COUNTY, NORTH CAROLINA
INDUSTRIAL PARK FUND**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL
From Inception and For the Fiscal Year Ended June 30, 2002**

	Total Project Estimate	Actual		Total To Date
		Prior Years	Current Year	
REVENUE				
Intergovernmental:				
Sales tax refund	\$ 12,000	\$ 9,407	\$ -	\$ 9,407
CDBG grant	237,327	237,819	-	237,819
Contribution - Morehead City	64,532	71,434	-	71,434
Total revenue	313,859	318,660	-	318,660
EXPENDITURES				
Economic and physical development:				
Engineering	45,150	630	-	630
Administration	10,000	9,120	-	9,120
Surveying	5,000	-	-	-
Surveying	10,000	-	-	-
Inspection	34,500	-	-	-
Construction section I - sewer lines	186,190	204,789	-	204,789
Construction section II - pump force	244,830	272,068	-	272,068
Construction section III - water line	111,201	128,702	-	128,702
Construction section IV - streets	216,638	234,697	-	234,697
Total expenditures	863,509	850,006	-	850,006
Revenue over (under) expenditures	(549,650)	(531,346)	-	(531,346)
OTHER FINANCING SOURCES				
Contribution from County				
Capital Reserve	549,650	549,650	-	549,650
Revenue and other financing sources over (under) expenditures	\$ -	\$ 18,304	-	\$ 18,304
FUND BALANCE, beginning			18,304	
Residual equity transfers out			(18,304)	
FUND BALANCE, ending			\$ -	

**CARTERET COUNTY, NORTH CAROLINA
CDBG JARRETT BAY FUND**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL
From Inception and For the Fiscal Year Ended June 30, 2002**

	Total Project Estimate	Actual		Total To Date
		Prior Years	Current Year	
REVENUE				
Intergovernmental:				
Contribution from EDC	\$ 25,000	\$ 25,000	\$ -	\$ 25,000
Community Development Block Grant	885,750	880,511	-	880,511
Contribution from Jarrett Bay Water Taps	295,250	295,250	-	295,250
Contribution from Beaufort	16,773	16,733	-	16,733
Sales tax refund	660	9,654	-	9,654
Water Taps	-	2,750	-	2,750
Total	1,223,433	1,229,898	-	1,229,898
EXPENDITURES				
Economic & Physical Development:				
E-1 Sewer Improvements	1,103,352	1,103,349	-	1,103,349
E-1 Water Improvements	96,581	96,581	-	96,581
Administration	23,500	23,550	-	23,550
Total	1,223,433	1,223,480	-	1,223,480
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 6,418</u>	-	<u>\$ 6,418</u>
FUND BALANCE, beginning			6,418	
Residual equity transfers out			<u>(6,418)</u>	
FUND BALANCE, ending			<u>\$ -</u>	

**CARTERET COUNTY, NORTH CAROLINA
1997 FRAN DRI GRANT FUND**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL
From Inception and For the Fiscal Year Ended June 30, 2002**

	Total Project Estimate	Prior Years	Actual Current Year	Total To Date
REVENUE				
Intergovernmental:				
Federal and State Grants	\$ 600,000	\$ 316,939	\$ 283,061	\$ 600,000
Total	600,000	316,939	283,061	600,000
EXPENDITURES				
Economic & Physical Development:				
C - 1 Relocation	492,000	272,558	250,177	522,735
C - 1 Clearance	-	18,060	12,700	30,760
C - 1 Administration	108,000	26,321	20,184	46,505
Total	600,000	316,939	283,061	600,000
Revenues over (under) expenditures	\$ -	\$ -	-	\$ -
Fund balance, beginning			-	
Fund balance, ending			\$ -	

**CARTERET COUNTY, NORTH CAROLINA
SALTER PATH DISTRICT FUND**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2002**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE			
Ad valorem taxes	\$ 20,525	\$ 18,081	\$ (2,444)
Total revenue	<u>20,525</u>	<u>18,081</u>	<u>(2,444)</u>
EXPENDITURES			
Economic and physical development:			
Contribution to Indian Beach	20,525	20,525	-
Total expenditures	<u>20,525</u>	<u>20,525</u>	<u>-</u>
Revenue and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (2,444)</u>	<u>\$ (2,444)</u>
FUND BALANCE, beginning		<u>-</u>	
FUND BALANCE, ending		<u>\$ (2,444)</u>	

**CARTERET COUNTY, NORTH CAROLINA
CDBG LAUREL ROAD FUND**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL
From Inception and For the Fiscal Year Ended June 30, 2002**

	Total Project Estimate	Prior Years	Actual Current Year	Total To Date
REVENUE				
Intergovernmental:				
Community Development Block Grant	\$ 700,000	\$ -	\$ 17,296	\$ 17,296
Local Match	45,000	-	-	
Total	745,000	-	17,296	17,296
EXPENDITURES				
Economic & Physical Development:				
Clearance	32,800	-	-	-
Acquisition	12,200	-	-	-
Relocation	374,000	-	-	-
Rehabilitation	162,000	-	-	-
Water Improvements	105,000	-	-	-
Administration	59,000	-	17,296	17,296
Total	745,000	-	17,296	17,296
Revenues over (under) expenditures	\$ -	\$ -	-	\$ -
Fund balance, beginning			-	
Fund balance, ending			\$ -	

CARTERET COUNTY, NORTH CAROLINA
 1998 BONNIE DRI GRANT FUND

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE,
 BUDGET AND ACTUAL
 From Inception and For the Fiscal Year Ended June 30, 2002

	Total Project Estimate	Prior Years	Actual	
			Current Year	Total To Date
REVENUE				
Intergovernmental:				
Federal and State Grants	\$ 600,000	\$ -	\$ 475,415	\$ 475,415
Total	600,000	-	475,415	475,415
EXPENDITURES				
Economic & Physical Development:				
C - 1 Clearance	50,000	-	8,490	8,490
C - 1 Relocation	450,000	-	433,277	433,277
C - 1 Administration	100,000	-	33,648	33,648
Total	600,000	-	475,415	475,415
Revenues over (under) Expenditures	\$ -	\$ -	-	\$ -
Fund balance, beginning			-	-
Fund balance, ending			\$ -	-

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for the proceeds of bond issues and all other resources used for the purpose of constructing, reconstructing or acquiring permanent or semipermanent capital improvements. These funds are used to provide a formal mechanism to ensure that designated revenues are applied only to their intended purposes. (Individual fund descriptions are on the next page.)

The following comprise the County's Capital Project Funds:

County Capital Reserve Fund - This fund is used to account for future major capital outlays for the benefit of the County.

County Capital Improvements Fund - This fund is used to account for the construction of various construction and capital projects.

School Projects Fund - This fund is to account for the construction of two new school within the western part of the County as well as for various other projects at existing schools.

School Special Projects Fund - This fund is used to account for pay as you go capital outlay needs for the County's school system.

Newport Middle School Project Fund - This fund is used to account for the construction project involving the new middle school in Newport.

Highway 101 Water Project Fund - This fund accounts for water system construction and improvements.

Health Center Renovations Fund - This fund accounts for the construction renovation project involving the Health Center in Morehead City.

Western Library Fund - This fund accounts for the construction of a new library in the western section of Carteret County.

THIS PAGE WAS INTENTIONALLY LEFT BLANK

CARTERET COUNTY, NORTH CAROLINA
CAPITAL PROJECTS FUND

COMBINING BALANCE SHEET

June 30, 2002

	County Capital Reserve Fund	County Capital Improvements Fund	Newport Middle School COPS Fund	School Projects Fund
ASSETS				
Cash and investments	\$ 418,215	\$ 626,532	\$ 21,027	\$ -
Restricted cash and investments	-	-	375,766	-
Accounts receivable	-	-	-	57,910
Total assets	\$ 418,215	\$ 626,532	\$ 396,793	\$ 57,910
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ 663	\$ 85,027	\$ -
Due to other funds	-	-	-	57,910
Total liabilities	-	663	85,027	57,910
Fund Balances:				
Reserved by state statute	-	-	-	57,910
Unreserved:				
Designated for subsequent expenditures	-	-	311,766	-
Undesignated	418,215	625,869	-	(57,910)
Total fund balances	418,215	625,869	311,766	-
Total liabilities and fund balances	\$ 418,215	\$ 626,532	\$ 396,793	\$ 57,910

School Special Projects Fund	Highway 101 Water Project Fund	Health Center Renovations Fund	Western Library Fund	Totals
\$ 1,122,856	\$ 222,750	\$ -	\$ 141,219	\$ 2,552,599
-	-	1,964,969	-	2,340,735
-	507,653	2,793	-	568,356
<u>\$ 1,122,856</u>	<u>\$ 730,403</u>	<u>\$ 1,967,762</u>	<u>\$ 141,219</u>	<u>\$ 5,461,690</u>

\$ 284,170	\$ 730,403	\$ 276,217	\$ 2,488	\$ 1,378,968
-	-	117,475	-	175,385
<u>284,170</u>	<u>730,403</u>	<u>393,692</u>	<u>2,488</u>	<u>1,554,353</u>

- 507,653 2,793 - 568,356

-	-	1,574,070	138,731	2,024,567
838,686	(507,653)	(2,793)	-	1,314,414
<u>838,686</u>	<u>-</u>	<u>1,574,070</u>	<u>138,731</u>	<u>3,907,337</u>

<u>\$ 1,122,856</u>	<u>\$ 730,403</u>	<u>\$ 1,967,762</u>	<u>\$ 141,219</u>	<u>\$ 5,461,690</u>
---------------------	-------------------	---------------------	-------------------	---------------------

CARTERET COUNTY, NORTH CAROLINA
 CAPITAL PROJECTS FUND

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES

For the Fiscal year Ended June 30, 2002

	County Capital Reserve Fund	County Capital Improvements Fund	Newport Middle COPS Fund
REVENUE			
Intergovernmental	\$ -	\$ 359,315	\$ -
Interest	7,776	8,642	95,301
Total revenue	<u>7,776</u>	<u>367,957</u>	<u>95,301</u>
EXPENDITURES			
Capital outlay	-	312,217	2,225,062
Revenue over (under) expenditures	<u>7,776</u>	<u>55,740</u>	<u>(2,129,761)</u>
OTHER FINANCING SOURCES (USES)			
Loan proceeds	-	-	-
Operating transfers in	-	264,000	-
Operating transfers out	(450,000)	-	(728,453)
Total other financing sources (uses)	<u>(450,000)</u>	<u>264,000</u>	<u>(728,453)</u>
Revenue and other financing sources under expenditures and other financing uses	(442,224)	319,740	(2,858,214)
FUND BALANCES, beginning	835,717	306,129	3,169,980
Residual equity transfers in	<u>24,722</u>	<u>-</u>	<u>-</u>
FUND BALANCES, ending	<u>\$ 418,215</u>	<u>\$ 625,869</u>	<u>\$ 311,766</u>

School Projects Fund	School Special Project Fund	Highway 101 Project Fund	Health Center Renovations Fund	Western Library Fund	Totals
\$ 13,957	\$ -	\$ 1,324,841	\$ -	\$ 207,500	\$ 1,905,613
-	21,388	-	38,341	-	171,448
13,957	21,388	1,324,841	38,341	207,500	2,077,061
13,957	2,933,755	1,324,841	1,464,271	68,769	8,342,872
-	(2,912,367)	-	(1,425,930)	138,731	(6,265,811)
-	-	-	3,000,000	-	3,000,000
-	1,735,153	-	-	-	1,999,153
-	-	-	-	-	(1,178,453)
-	1,735,153	-	3,000,000	-	3,820,700
-	(1,177,214)	-	1,574,070	138,731	(2,445,111)
-	2,015,900	-	-	-	6,327,726
-	-	-	-	-	24,722
\$ -	\$ 838,686	\$ -	\$ 1,574,070	\$ 138,731	\$ 3,907,337

CARTERET COUNTY, NORTH CAROLINA
 COUNTY CAPITAL RESERVE FUND

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE,
 BUDGET AND ACTUAL

For the Fiscal year Ended June 30, 2002

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE			
Interest	\$ -	\$ 7,776	\$ 7,776
OTHER FINANCING SOURCES (USES)			
Operating transfer out to General Fund	(450,000)	(450,000)	-
Fund balance appropriated	450,000	-	(450,000)
Total other financing sources	<u>-</u>	<u>(450,000)</u>	<u>(450,000)</u>
Revenue over other financing sources	<u>\$ -</u>	<u>(442,224)</u>	<u>\$ (442,224)</u>
FUND BALANCE, beginning		835,717	
Residual equity transfers in		<u>24,722</u>	
FUND BALANCE, ending		<u>\$ 418,215</u>	

**CARTERET COUNTY, NORTH CAROLINA
COUNTY CAPITAL IMPROVEMENTS FUND**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL
For the Fiscal year Ended June 30, 2002**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE			
Intergovernmental	\$ 1,164,000	\$ 359,315	\$ (804,685)
Interest	-	8,642	8,642
Total revenues	1,164,000	367,957	(796,043)
EXPENDITURES			
Capital outlay:			
Newport River/Mill Creek	28,000	28,000	-
Marshallberg Boat Ramp	2,017	1,908	109
Western Park	234,889	235,674	(785)
Radio Island	21,122	21,980	(858)
Eastern Park Land & Development	500,000	24,655	475,345
Western Library Design	50,000	-	50,000
Indian Beach	900,000	-	900,000
Total expenditures	1,736,028	312,217	1,423,811
Revenues over (under) expenditures	(572,028)	55,740	627,768
OTHER FINANCING SOURCES			
Operating transfer in from General Fund	264,000	264,000	-
Fund Balance Appropriated	308,028	-	(308,028)
Total other financing sources	572,028	264,000	(308,028)
Revenue and other financing sources over expenditures	\$ -	319,740	\$ 319,740
FUND BALANCE, beginning		306,129	
FUND BALANCE, ending		\$ 625,869	

**CARTERET COUNTY, NORTH CAROLINA
NEWPORT MIDDLE SCHOOL COPS FUND**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL**

From Inception and For the Fiscal year Ended June 30, 2002

	Total Project Estimate	Prior Years	Actual Current Year	Total To Date
REVENUE				
Intergovernmental - sales tax refund	\$ 100,000	\$ -	\$ -	\$ -
Interest	756,000	679,832	95,301	775,133
Total revenue	<u>856,000</u>	<u>679,832</u>	<u>95,301</u>	<u>775,133</u>
EXPENDITURES				
Capital outlay:				
Newport Middle School construction	13,368,928	11,984,010	1,029,238	13,013,248
Beaufort Elementary School land	1,183,074	-	1,195,824	1,195,824
Total expenditures	<u>14,552,002</u>	<u>11,984,010</u>	<u>2,225,062</u>	<u>14,209,072</u>
Revenue over (under) expenditures	<u>(13,696,002)</u>	<u>(11,304,178)</u>	<u>(2,129,761)</u>	<u>(13,433,939)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(728,453)	(40,842)	(728,453)	(769,295)
Proceeds from Certificate of Participation bonds	14,424,455	14,515,000	-	14,515,000
Total financing sources (uses)	<u>13,696,002</u>	<u>14,474,158</u>	<u>(728,453)</u>	<u>13,745,705</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 3,169,980</u>	<u>(2,858,214)</u>	<u>\$ 311,766</u>
FUND BALANCE, beginning			<u>3,169,980</u>	
FUND BALANCE, ending			<u>\$ 311,766</u>	

**CARTERET COUNTY, NORTH CAROLINA
SCHOOL PROJECTS FUND**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL
From Inception and For the Fiscal year Ended June 30, 2002**

	Total Project Estimate	Actual		Total To Date
		Prior Years	Current Year	
REVENUE				
Interest	\$ 1,387,000	\$ 1,590,731	\$ -	\$ 1,590,731
Intergovernmental:				
Sales tax refund	480,955	277,530	-	277,530
Public School Building Bond Act of 1996	6,919,845	6,871,628	13,957	6,885,585
	<u>8,787,800</u>	<u>8,739,889</u>	<u>13,957</u>	<u>8,753,846</u>
EXPENDITURES				
Capital outlay:				
Western High School	16,743,186	16,738,805	1,920	16,740,725
Western Elementary	7,098,027	7,090,359	-	7,090,359
Beaufort Elementary renovation	1,470,000	1,470,000	-	1,470,000
Smyrna Elementary renovation	2,293,247	2,279,972	-	2,279,972
White Oak Renovation	219,805	219,805	-	219,805
Technology	6,201,600	6,200,413	-	6,200,413
Auditorium	90,748	90,748	-	90,748
Newport Middle School	1,450,000	1,428,768	12,037	1,440,805
Athletic Facilities	900,000	900,000	-	900,000
Equipment Needs	3,250,484	3,250,484	-	3,250,484
Issuance costs	95,083	94,915	-	94,915
Total expenditures	<u>39,812,180</u>	<u>39,764,269</u>	<u>13,957</u>	<u>39,778,226</u>
Revenue over (under) expenditures	<u>(31,024,380)</u>	<u>(31,024,380)</u>	<u>-</u>	<u>(31,024,380)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers from General Fund	2,450,632	2,450,632	-	2,450,632
Operating transfers from School Projects Reserve Fund	-	950,000	-	950,000
Operating transfer to General Fund	(37,000)	(987,000)	-	(987,000)
Operating transfers to School Fund	(389,252)	(389,252)	-	(389,252)
Bond proceeds	29,000,000	29,000,000	-	29,000,000
Total other financing sources	<u>31,024,380</u>	<u>31,024,380</u>	<u>-</u>	<u>31,024,380</u>
Revenue and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE, beginning			<u>-</u>	
FUND BALANCE, ending			<u>\$ -</u>	

**CARTERET COUNTY, NORTH CAROLINA
SCHOOL SPECIAL PROJECTS FUND**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL
For the Fiscal year Ended June 30, 2002**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE			
Interest	\$ 45,000	\$ 21,388	\$ (23,612)
EXPENDITURES			
Capital Outlay, Board of Education	3,728,550	2,933,755	794,795
Revenues over (under) expenditures	(3,683,550)	(2,912,367)	(771,183)
OTHER FINANCING SOURCES			
Operating transfer from Newport Middle COPS Fund	472,453	728,453	256,000
Operating transfer from General Fund	1,233,695	1,006,700	(226,995)
Fund balance appropriated	1,977,402	-	(1,977,402)
Total other financing sources	1,706,148	1,735,153	29,005
Revenue and other financing sources over (under) expenditures	<u>\$ (1,977,402)</u>	(1,177,214)	<u>\$ 800,188</u>
FUND BALANCE, beginning		<u>2,015,900</u>	
FUND BALANCE, ending		<u>\$ 838,686</u>	

**CARTERET COUNTY, NORTH CAROLINA
HIGHWAY 101 WATER PROJECT FUND**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL**

From Inception and For the Fiscal year Ended June 30, 2002

	Total Project Estimate	Actual		Total To Date
		Prior Years	Current Year	
REVENUE				
Intergovernmental:				
State grant fund	\$ 3,000,000	\$ 54,087	\$ 1,307,380	\$ 1,361,467
Tap fees	26,250	-	2,410	2,410
Contribution from Community College	-	-	15,051	15,051
Sales tax refund	73,750	-	-	-
	<u>3,100,000</u>	<u>54,087</u>	<u>1,324,841</u>	<u>1,378,928</u>
EXPENDITURES				
Capital outlay	3,793,792	54,087	1,324,841	1,378,928
	<u>3,793,792</u>	<u>54,087</u>	<u>1,324,841</u>	<u>1,378,928</u>
Revenue over (under) expenditures	(693,792)	-	-	-
OTHER FINANCING SOURCES (USES)				
Revolving loan proceeds	693,792	-	-	-
	<u>693,792</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE, beginning			<u>-</u>	
FUND BALANCE, ending			<u>\$ -</u>	

**CARTERET COUNTY, NORTH CAROLINA
HEALTH CENTER RENOVATIONS FUND**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL
From Inception and For the Fiscal year Ended June 30, 2002**

	Total Project Estimate	Actual		
		Prior Years	Current Year	Total To Date
REVENUE				
Interest	\$ -	\$ -	\$ 38,341	\$ 38,341
EXPENDITURES				
Capital outlay	3,000,000	-	1,464,271	1,464,271
Revenue over (under) expenditures	(3,000,000)	-	(1,425,930)	(1,425,930)
OTHER FINANCING SOURCES (USES)				
Installment proceeds	3,000,000	-	3,000,000	3,000,000
Revenue and other financing sources over (under) expenditures	\$ -	\$ -	1,574,070	\$ 1,574,070
FUND BALANCE, beginning			-	
FUND BALANCE, ending			\$ 1,574,070	

**CARTERET COUNTY, NORTH CAROLINA
WESTERN LIBRARY FUND**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL
From Inception and For the Fiscal year Ended June 30, 2002**

	Total Project Estimate	Actual		Total To Date
		Prior Years	Current Year	
REVENUE				
Intergovernmental:				
Town contributions	\$ 100,000	\$ -	\$ 57,500	\$ 57,500
Friends of the Library contributions	250,000	-	150,000	150,000
	<u>350,000</u>	<u>-</u>	<u>207,500</u>	<u>207,500</u>
EXPENDITURES				
Capital outlay	<u>1,224,000</u>	<u>-</u>	<u>68,769</u>	<u>68,769</u>
Revenue over (under) expenditures	<u>(874,000)</u>	<u>-</u>	<u>138,731</u>	<u>138,731</u>
OTHER FINANCING SOURCES (USES)				
Installment proceeds	824,000	-	-	-
Transfer from Capital Improvements	50,000	-	-	-
	<u>874,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>138,731</u>	<u>\$ 138,731</u>
FUND BALANCE, beginning			<u>-</u>	
FUND BALANCE, ending			<u>\$ 138,731</u>	

THIS PAGE WAS INTENTIONALLY LEFT BLANK

AGENCY FUND

Agency Funds serve primarily as clearing mechanisms for cash resources which are collected by a governmental unit, held as such for a brief period and then distributed to authorized recipients. (Individual fund descriptions are on the next page.)

The following comprise the County's Agency Funds:

Sheriff's Department Fund - This fund is used to account for the collection and distribution of assets in conjunction with the clerk of court for judgments and claims that have been assessed.

Social Services Trust Fund - This fund is used to account for the receipt and distribution of funds received specifically for the benefit of various clients of the social services department caseworkers.

**CARTERET COUNTY, NORTH CAROLINA
ALL AGENCY FUNDS**

**COMBINING BALANCE SHEET
June 30, 2002**

	Sheriff's Department Fund	Social Services Trust Fund	Totals
ASSETS			
Cash, investments and receivables	\$ 54,609	\$ 31,189	\$ 85,798
LIABILITIES			
Accounts payable and accrued liabilities	\$ 54,609	\$ 31,189	\$ 85,798
Total liabilities	\$ 54,609	\$ 31,189	\$ 85,798

**CARTERET COUNTY, NORTH CAROLINA
ALL AGENCY FUNDS**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2002**

	Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002
<u>Sheriff's Department Fund:</u>				
Assets, cash, investments and receivables	\$ 4,743	\$ 271,978	\$ 222,112	\$ 54,609
Liabilities	\$ 4,743	\$ 271,978	\$ 222,112	\$ 54,609
<u>Social Services Trust Fund:</u>				
Assets, cash and investments	\$ 31,341	\$ 139,460	\$ 139,612	\$ 31,189
Liabilities	\$ 31,341	\$ 139,460	\$ 139,612	\$ 31,189
<u>Totals - All Agency Funds:</u>				
Assets, cash and investments	\$ 36,084	\$ 411,438	\$ 361,724	\$ 85,798
Liabilities:				
Accounts payable and accrued liabilities	\$ 36,084	\$ 411,438	\$ 361,724	\$ 85,798
Total liabilities	\$ 36,084	\$ 411,438	\$ 361,724	\$ 85,798

OTHER FINANCIAL INFORMATION

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

THIS PAGE WAS INTENTIONALLY LEFT BLANK

CARTERET COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

June 30, 2002

Fiscal Year	Uncollected Balance June 30, 2001	Additions	Collections	Adjustments	Uncollected Balance June 30, 2002
2001-2002	\$ -	\$ 32,277,609	\$ 30,443,658	\$ (558,280)	\$ 1,275,671
2000-2001	1,039,757	8,565	658,054	326,434	716,702
1999-2000	397,141	4,889	183,885	194,882	413,027
1998-1999	181,161	2,795	60,114	(18,072)	105,770
1997-1998	85,667	1,362	30,827	19,784	75,986
1996-1997	48,154	810	18,334	9,049	39,679
1995-1996	35,137	-	5,048	6,304	36,393
1994-1995	23,405	-	893	1,079	23,591
1993-1994	23,581	-	1,491	(3,241)	18,849
1992-1993	24,825	-	717	(53)	24,055
	<u>\$ 1,858,828</u>	<u>\$ 32,296,030</u>	<u>\$ 31,403,021</u>	<u>\$ (22,114)</u>	<u>2,729,723</u>
Less allowance for uncollectible ad valorem taxes receivable					<u>301,677</u>
Net property taxes receivable - General Fund					<u>\$ 2,428,046</u>
Reconciliation with revenue: Ad valorem taxes- General Fund					<u>\$ 31,403,021</u>

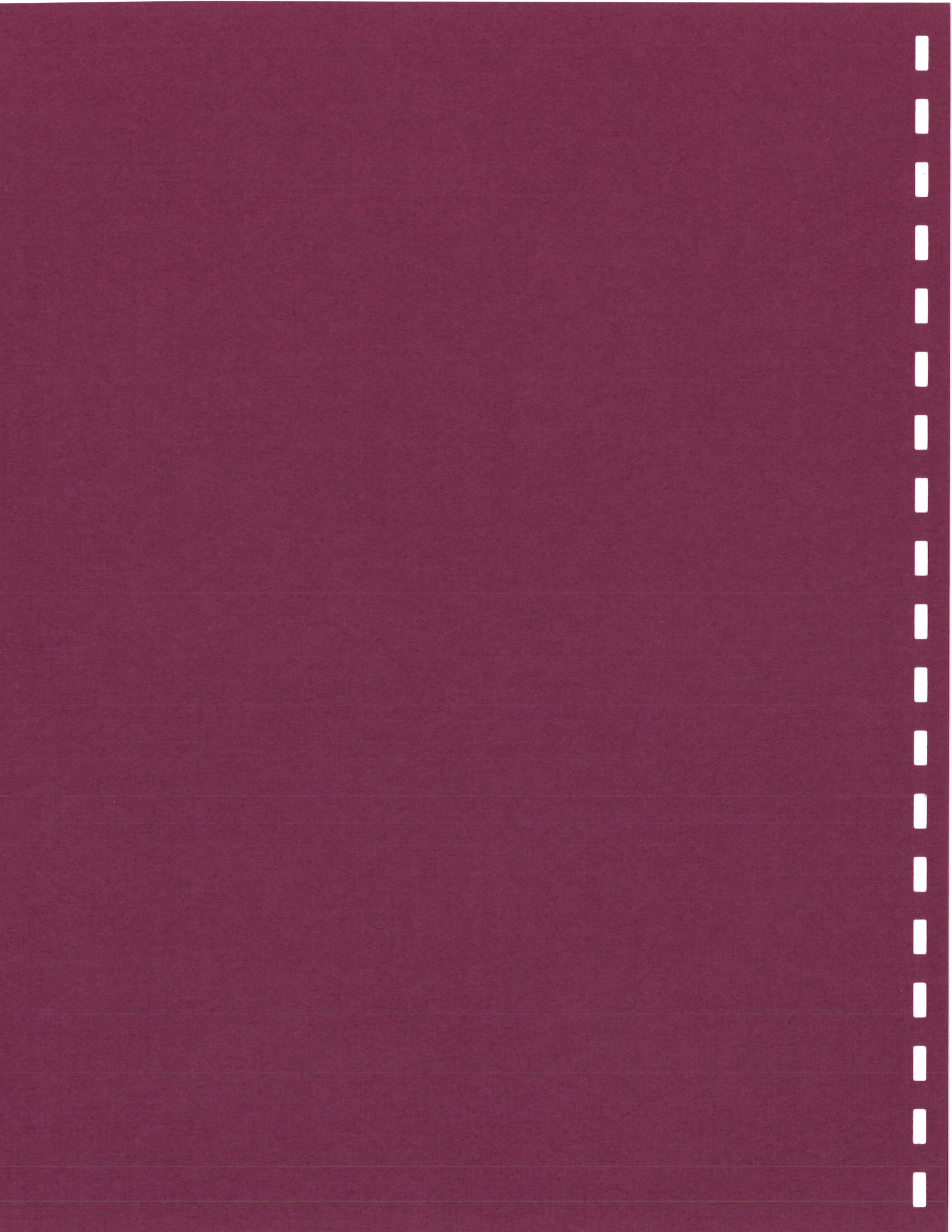
CARTERET COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR'S TAX LEVY
For the Year Ended June 30, 2002

	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	\$ 7,022,226,136	0.44	\$ 30,717,326	\$ 29,345,916	\$ 1,371,410
Motor vehicles taxes at prior year's rate	149,444,510	0.51	762,167	-	762,167
Total	<u>7,171,670,646</u>		<u>31,479,493</u>	<u>29,345,916</u>	<u>2,133,577</u>
Discoveries:					
Current year taxes	140,374,318		617,647	610,544	7,103
Refunds	41,015,682		180,469	180,775	(306)
Total	<u>181,390,000</u>		<u>798,116</u>	<u>791,319</u>	<u>6,797</u>
Abatements	<u>(167,897,500)</u>		<u>(558,280)</u>	<u>(484,010)</u>	<u>(74,270)</u>
Total property valuation	<u>\$ 7,185,163,146</u>				
Net levy-General Fund			31,719,329	29,653,225	2,066,104
Uncollected taxes at June 30, 2002 - General Fund			<u>1,275,671</u>	<u>959,032</u>	<u>316,639</u>
Current year's taxes collected - General Fund			<u>\$ 30,443,658</u>	<u>\$ 28,694,193</u>	<u>\$ 1,749,465</u>
Current levy collection percentage - General Fund			<u>95.98%</u>	<u>96.77%</u>	<u>84.67%</u>

STATISTICAL

The tables in this section provide trends, statistical and demographic information



Carteret County, North Carolina
General Governmental Expenditures, By Function ⁽¹⁾
Last Ten Fiscal Years

Table 1

Fiscal Year Ended June 30	General Government	Public Safety	Transpor- tation	Economic & Physical			Human Services	Environmental Protection	Cultural & Recreation	Education	Capital Projects	Debt Service ⁽²⁾	Total Expenditures
				Development	Development	Development							
1993	\$1,989,707	\$4,743,134	\$407,724	\$1,546,697	\$1,988,961	\$866,821	\$9,398,963	\$7,902,715	\$3,262,108	\$39,655,231			
1994	2,074,890	4,869,061	424,535	1,475,208	2,864,177	834,247	8,958,336	2,352,655	8,427,002	39,882,889			
1995	2,233,792	5,529,875	141,991	954,126	3,493,264	932,054	12,033,251	1,469,115	3,431,638	38,597,795			
1996	2,853,875	6,096,750	47,877	888,771	2,944,919	1,064,194	10,399,586	705,722	3,860,088	37,780,191			
1997	2,943,541	6,448,719	12,080	866,084	4,158,262	1,305,786	11,294,206	213,581	4,429,954	40,036,373			
1998	2,885,480	6,840,765	186,103	940,857	3,732,955	1,733,648	11,564,543	794	5,333,642	42,054,677			
1999	2,993,951	7,543,507	66,115	1,102,181	3,808,134	1,695,707	15,099,455	473,995	5,260,003	47,512,606			
2000	3,799,606	8,033,685	360,064	1,134,822	4,014,794	2,036,509	18,897,588	2,363,086	5,189,390	57,452,197			
2001	3,646,451	8,734,138	424,564	1,222,167	3,303,036	2,320,777	19,679,070	2,961,739	6,996,525	62,467,594			
2002	3,290,839	9,500,776	332,365	1,835,919	2,547,719	1,988,228	19,570,613	3,245,972	6,099,780	61,673,453			

Notes:

(1) Includes Annually Budgeted Funds: General, E-911, Fire Districts, Rescue Districts, Occupancy, Salter Path District, Capital Reserve Capital Improvements, and School Special Projects Funds.

(2) 1994 increase reflects retirement of \$4,007,000 Hospital Facilities bonds issued in 1983.

Carteret County, North Carolina
General Governmental Revenues, By Source ⁽¹⁾
Last Ten Fiscal Years

Table 2

<u>Fiscal</u> <u>Year Ended</u> <u>June 30</u>	<u>Ad Valorem</u> <u>Taxes</u>	<u>Other Taxes</u> <u>& Licenses</u>	<u>Permits</u> <u>& Fees</u>	<u>Inter-</u> <u>governmental</u>	<u>Sales &</u> <u>Services</u>	<u>Investment</u> <u>Earnings</u>	<u>Miscellaneous</u>	<u>Total</u> <u>Revenue</u>
1993	\$15,188,731	\$8,224,153	\$969,683	\$5,363,651	\$2,969,924	454,026	\$120,998	\$33,291,166
1994	17,185,308	8,925,058	965,442	5,497,109	2,534,065	474,241	182,169	35,763,392
1995	18,247,444	9,603,424	1,085,046	5,961,632	1,801,137	689,460	1,370,510	38,758,653
1996	20,280,173	10,083,350	1,073,019	5,910,131	1,698,697	832,806	60,618	39,938,794
1997	21,305,801	10,610,240	1,165,644	7,906,364	931,881	931,114	216,429	43,067,473
1998	23,830,199	11,866,765	1,291,897	7,676,826	943,704	1,147,860	200,659	46,957,910
1999	24,481,785	12,539,196	1,331,064	7,280,730	1,006,710	1,096,689	531,407	48,267,581
2000	29,352,572	13,198,118	1,245,765	10,270,375	1,305,467	1,253,627	224,114	56,850,038
2001	30,819,589	14,023,012	1,423,786	8,615,850	1,236,249	1,117,627	132,050	57,368,163
2002	34,552,936	15,059,252	1,602,838	9,521,296	1,567,251	358,359	175,399	62,837,331

Notes:

(1) Includes Annually Budgeted Funds: General, E-911, Fire Districts, Rescue Districts, Occupancy, Salter Path District, Capital Reserve Capital Improvements, and School Special Projects Funds.

Carteret County, North Carolina
Property Tax Levies & Collections (1)(2)
Last Ten Fiscal Years

Table 3

Fiscal Year Ended June 30	Total Tax Levy (1)(2)	Collections of Current Levy	Percent of Current Taxes Collected	Collections of Prior Levy	Total Property Taxes Collected	Ratio of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Tax Levy
1993	\$15,073,549	\$14,482,611	96.08%	\$706,120	\$15,188,731	100.76%	\$1,958,232	12.99%
1994	17,406,345	16,492,922	94.75%	692,386	17,185,308	98.73%	2,301,586	13.22%
1995	17,776,872	17,024,807	95.77%	1,216,071	18,240,878	102.61%	2,127,643	11.97%
1996	19,857,390	19,069,463	96.03%	1,203,897	20,273,360	102.09%	1,943,076	9.79%
1997	20,566,276	19,840,154	96.47%	1,544,718	21,384,872	103.98%	1,478,593	7.19%
1998	24,033,750	23,070,030	95.99%	619,904	23,689,934	99.00%	1,787,545	7.44%
1999	24,437,491	23,576,414	96.48%	782,988	24,359,402	99.68%	1,648,549	6.75%
2000	29,627,049	28,576,260	96.45%	589,834	29,166,094	98.45%	2,050,775	6.93%
2001	28,773,869	27,734,112	96.39%	794,819	28,528,931	99.15%	1,895,967	6.59%
2002	31,719,329	30,443,658	95.98%	959,363	31,403,021	99.00%	2,729,723	8.61%

Notes:

(1) Includes General and Special Revenue Funds fiscal year 1993 - 2000; fiscal years 2001 and 2002 include General Fund.

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

Carteret County, North Carolina
General Fund Balance Position at June 30
Last Ten Fiscal Years

Table 4

Fiscal Year Ended June 30	Reserved for State Statute	Reserved for Sheriff Fund	Reserved for Debt Service	Reserved for Recreation Districts	Reserved for Capital Outlay	Reserved for Wireless E911	Reserved for Health Programs	Reserved for Register of Deeds	Designated for Subsequent Years' Expenditures	Undesignated	Total Fund Balance	General Fund Expenditures	Undesignated Fund Balance Percentage of General Fund Expenditures
1993	\$3,540,373	\$18,227	\$0	\$0	\$0	\$0	\$0	\$0	\$1,360,606	\$3,020,487	\$7,940,393	\$28,118,033	\$0
1994	2,389,572	18,927	0	0	0	0	319,282	0	2,973,028	6,123,058	11,823,867	33,206,037	18.44%
1995	2,609,224	8,042	484,116	0	0	0	431,847	0	2,235,093	5,660,261	11,428,583	32,110,320	17.63%
1996	2,344,290	31,765	531,650	0	0	0	607,172	0	2,623,678	5,778,938	11,917,493	32,927,915	17.55%
1997	3,013,128	22,211	531,069	0	0	0	476,407	0	2,222,889	5,658,258	11,923,962	36,590,856	15.46%
1998	3,051,097	17,961	371,806	0	0	0	477,774	0	2,178,534	6,808,857	12,906,029	38,361,640	17.63%
1999	3,164,347	29,306	396,521	57,520	680,000	0	492,733	0	2,845,617	5,722,097	13,388,141	43,364,081	13.20%
2000	4,110,074	26,194	1,488,357	72,410	0	86,161	529,407	0	3,386,473	6,448,978	16,148,054	51,423,086	12.54%
2001	3,922,334	82,081	1,079,234	51,368	0	21,161	450,339	0	373,393	6,196,087	12,175,997	55,389,112	11.19%
2002	4,348,892	53,256	1,090,339	56,317	0	0	546,735	32,248	150,000	7,731,989	14,009,776	53,767,622	14.38%

Carteret County, North Carolina
Assessed Value of Property⁽²⁾⁽³⁾
Last Ten Fiscal Years

Table 5

<u>Fiscal Year Ended June 30</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>State Certified</u>	<u>Total Assessed Valuation</u>
1993	\$3,100,220,475	\$194,379,132	\$79,185,905	\$3,373,785,512
1994	2,971,677,840	436,581,711	79,796,536	3,488,056,087
1995	3,009,850,833	458,668,214	80,125,832	3,548,644,879
1996	3,117,310,410	450,304,682	80,237,556	3,647,852,648
1997	3,233,221,306	467,568,251	80,253,554	3,781,043,111
1998 ⁽¹⁾	4,611,176,025	544,308,312	92,773,636	5,248,257,973
1999	4,829,925,832	449,038,101	94,814,401	5,373,778,334
2000	4,840,679,280	591,147,538	92,154,411	5,523,981,229
2001	4,951,482,137	692,891,457	97,049,097	5,741,422,691
2002 ⁽¹⁾	6,400,566,842	687,404,277	97,192,027	7,185,163,146

- Notes: (1) Reflects revaluation year
(2) Amounts are net of Senior Citizens Exemption
(3) Amount includes discoveries and abatements
(4) Assessed value is equal to estimated actual value

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

Table 6

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
<i>Municipalities</i>										
Carteret County	0.4100	0.4600	0.4600	0.5100	0.5100	0.4200	0.4200	0.5000	0.5100	0.4400
Atlantic Beach	0.4500	0.4500	0.4500	0.4500	0.4500	0.3500	0.3100	0.3100	0.2900	0.2100
Beaufort	0.4050	0.4050	0.4050	0.4050	0.4050	0.3450	0.3450	0.3450	0.3850	0.3400
Bogue ¹					0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
Cape Carteret	0.3500	0.3500	0.3500	0.3500	0.3500	0.2600	0.2600	0.2600	0.2600	0.2300
Cedar Point	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
Emeral Isle	0.2150	0.2150	0.2150	0.2000	0.2150	0.1750	0.1850	0.1950	0.1950	0.1750
Indian Beach	0.2300	0.1900	0.1900	0.1900	0.2300	0.1700	0.1700	0.1700	0.1700	0.1600
Morehead City	0.4500	0.4500	0.4500	0.4500	0.4500	0.4000	0.4600	0.4000	0.4000	0.3800
Newport	0.4600	0.4600	0.4600	0.4600	0.4600	0.4200	0.4200	0.4200	0.4500	0.4300
Pelitier ²						0.0500	0.0500	0.0500	0.0500	0.0500
Pine Knoll Shores	0.1700	0.2050	0.2050	0.2100	0.2100	0.1600	0.1600	0.1600	0.1600	0.1600
<i>Fire Districts</i>										
Atlantic	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0400
Atlantic Beach	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Beaufort	0.0825	0.0825	0.0825	0.0825	0.0825	0.0680	0.0600	0.0600	0.0600	0.0500
Broad & Gales Creek	0.0600	0.0600	0.0600	0.0600	0.0600	0.0500	0.0400	0.0400	0.0400	0.0350
Cape Carteret	0.0400	0.0400	0.0400	0.0400	0.0400	0.0400	0.0400	0.0400	0.0550	0.0700
Cedar Island	0.0900	0.0900	0.0900	0.0900	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Davis	0.0800	0.0800	0.0800	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Harkers Island	0.0400	0.0400	0.0400	0.0410	0.0410	0.0400	0.0400	0.0400	0.0600	0.0600
Harlowe	0.0500	0.0500	0.0550	0.0500	0.0500	0.0550	0.0550	0.0550	0.0550	0.0550
Marshallberg	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0600
Mill Creek	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0550	0.0700	0.0550
Mitchell Village	0.0600	0.0600	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800
Newport	0.0950	0.0950	0.0950	0.0950	0.0950	0.0650	0.0600	0.0600	0.0600	0.0550
North River	0.0900	0.0900	0.0900	0.0900	0.0900	0.0900	0.0900	0.0900	0.0900	0.0700
Otway	0.0500	0.0500	0.0500	0.0500	0.0500	0.0400	0.0400	0.0400	0.0400	0.0400
Salter Path	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0500	0.0500	0.0500	0.0500
Sea Level	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
South River/ Merrimon	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700
Stacy	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800	0.0800
Stella	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
Wildwood	0.0500	0.0500	0.0500	0.0500	0.0500	0.0600	0.0600	0.0600	0.0600	0.0500
<i>Rescue Districts</i>										
Beaufort	0.0300	0.0330	0.0450	0.4500	0.0450	0.0450	0.0450	0.0450	0.0450	0.0400
Braod & Gales Creek	0.0200	0.0200	0.0200	0.0200	0.0200	0.0200	0.0150	0.0150	0.0200	0.0200
Cape Carteret	0.0270	0.0200	0.0250	0.0250	0.0250	0.0250	0.0200	0.0470	0.0500	0.0500
Mitchell Village	0.0200	0.0200	0.0400	0.0400	0.0400	0.0400	0.0400	0.0400	0.0400	0.0400
Otway	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0250	0.0500	0.0600	0.0450
Sea Level	0.0500	0.0700	0.0700	0.0700	0.0700	0.0900	0.0900	0.1000	0.1000	0.1375
Mill Creek ³								0.0100	0.0100	0.0100

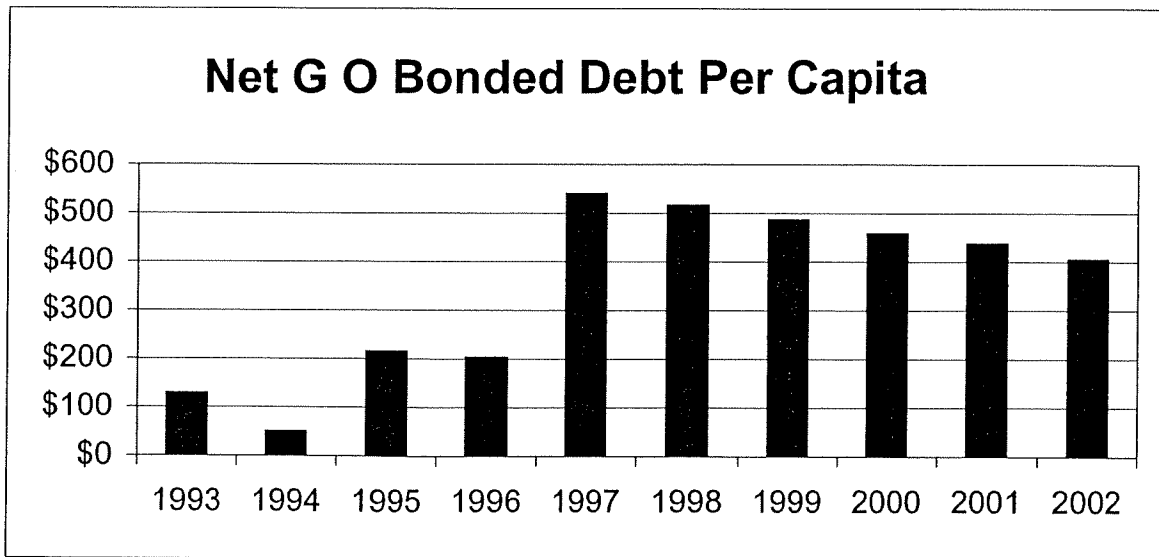
Notes: ¹ First Year Tax District 1997
² First Year Tax District 1998
³ First Year Tax District 2000

Carteret County, North Carolina
Ratio of General Obligation Debt to Assessed Value
& General Obligation Bonded Debt Per Capita
Last Ten Fiscal Years

Table 7

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Assessed Value</u>	<u>Net General</u> <u>Obligation</u> <u>Bonded Debt</u>	<u>Ratio of net</u> <u>General</u> <u>Obligation</u> <u>Bonded Debt to</u> <u>Assessed Value</u>	<u>Population</u> ⁽¹⁾	<u>Net General</u> <u>Obligation</u> <u>Bonded Debt</u> <u>Per Capita</u>
1993	\$3,373,785,512	\$7,207,000	0.22%	56,533	\$127.49
1994	3,488,056,087	2,800,000	0.08%	57,750	48.49
1995	3,548,644,879	12,400,000	0.35%	57,997	213.81
1996	3,647,582,648	11,769,877	0.33%	58,385	201.59
1997	3,781,043,111	32,000,000	0.85%	59,370	539.00
1998	5,248,257,973	30,750,000	0.59%	59,725	514.86
1999	5,373,778,334	29,450,000	0.55%	60,719	485.03
2000	5,523,981,229	28,150,000	0.51%	61,587	457.08
2001	5,644,373,594	26,850,000	0.46%	61,600	435.88
2002	7,185,163,146	25,150,000	0.35%	62,326	403.52

Notes: (1) NC Office of State Planning



**Carteret County, North Carolina
Computation of Legal Debt Margin
June 30, 2002**

Table 8

Assessed Values of Property		<u>\$7,185,163,146</u>
Debt Limit 8 percent of Assessed Value		574,813,052
Gross Debt:		
Total Bonded Debt	25,150,000	
Certificates of Participation	16,625,000	
Installment Debt	4,962,053	
Authorized Unissued Bonded Debt	<u>7,600,000</u>	
Total Amount of Debt Applicable to Debt Limit		<u>54,337,053</u>
Legal Debt Margin		<u>520,475,999</u>

Carteret County, North Carolina
Ratio of Annual Debt Service Expenditures for General Obligation
Bonded Debt to Total General Governmental Expenditures⁽³⁾
Last Ten Fiscal Years

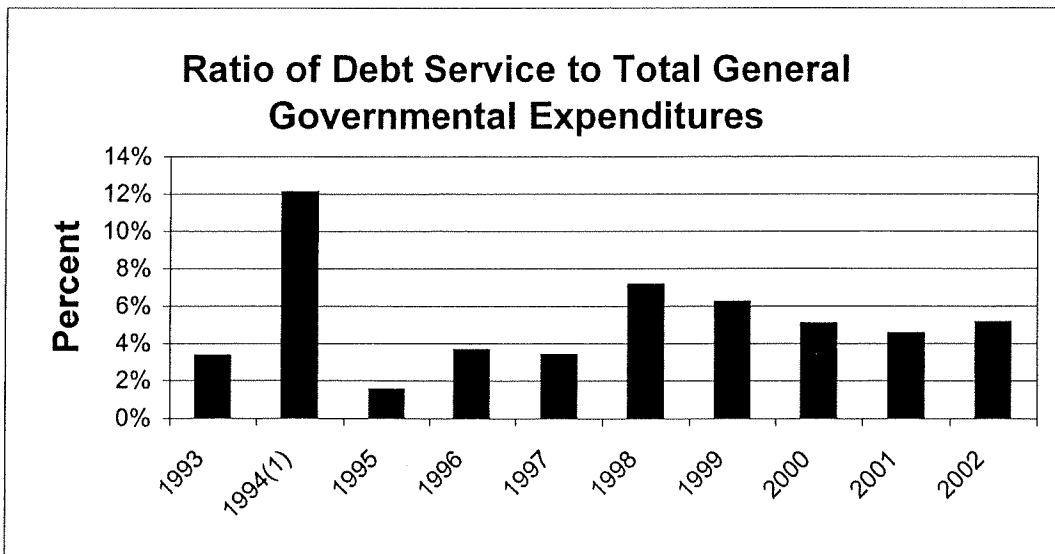
Table 9

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Principal</u>	<u>Interest</u> <u>on Bonds</u>	<u>Total Debt</u> <u>Service</u>	<u>Total General</u> <u>Governmental</u> <u>Expenditures</u>	<u>Debt Service to</u> <u>Total General</u> <u>Governmental</u> <u>Expenditures</u>
1993	\$686,000	\$629,474	\$1,315,474	\$39,655,231	3.32%
1994 ⁽¹⁾	4,407,000	406,994	4,813,994	39,882,889	12.07%
1995	400,000	182,688	582,688	38,597,795	1.51%
1996	700,000	675,538	1,375,538	37,780,191	3.64%
1997	700,000	647,788	1,347,788	40,036,373	3.37%
1998	1,250,000	1,741,538	2,991,538	42,054,677	7.12%
1999	1,250,000	1,699,788	2,949,788	47,512,606	6.21%
2000	1,300,000	1,595,738	2,895,738	57,452,197	5.04%
2001	1,300,000	1,521,488	2,821,488	62,467,594	4.52%
2002	1,700,000	1,446,500	3,146,500	61,673,453	5.11%

Notes: (1) Includes \$4,007,000 retirement of Hospital Facilities Bonds. The funds to make this payment came from Carteret General Hospital.

(2) This figure includes total debt service for general obligation bonded debt.

(3) Includes annually budgeted funds: General, E-911, Fire Districts, Rescue Districts, Occupancy, Capital Reserve, Capital Improvements, Salter Path District, and School Special Projects Funds.



Carteret County, North Carolina
Computation of Direct and Underlying Debt
General Obligation Bonds
June 30, 2002

Table 10

	Net General Obligation Bonded Debt	Percent Applicable to County	Amount Applicable to County
Direct			
Carteret County	25,150,000	100.00%	25,150,000
Underlying			
Town of Beaufort	692,067	100.00%	692,067
Town of Atlantic Beach	565,543	100.00%	565,543
Town of Newport	3,427,400	100.00%	3,427,400
Town of Pine Knoll Shores	8,150,000	100.00%	8,150,000
Town of Morehead City	216,800	100.00%	216,800
Town of Indian Beach	<u>4,700,000</u>	100.00%	<u>4,700,000</u>
	<u><u>42,901,810</u></u>		<u><u>42,901,810</u></u>

**Carteret County, North Carolina
Demographic Statistics
Last The Fiscal Years**

Table 11

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Per Capita Income (2)</u>	<u>Unemployment Rate (3)</u>	<u>Public School Enrollment (4)</u>
1993	56,533	\$15,642	6.40%	8,032
1994	57,750	16,392	5.44%	7,986
1995	57,997	17,924	5.69%	8,116
1996	58,385	20,003	5.20%	8,259
1997	59,370	20,901	3.20%	8,176
1998	59,725	21,537	4.50%	8,507
1999	60,719	21,375	4.40%	8,221
2000	61,587	21,644	3.80%	8,326
2001	61,600	24,059	3.10%	8,271
2002	62,326	26,090	4.98%	8,177

Data Sources:

- (1) North Carolina Office of State Planning
- (2) Economic Development Council
- (3) North Carolina Employment Security Commission
- (4) Carteret County Board of Education

**Carteet County, North Carolina
Ten Largest Taxpayers
June 30,2002**

Table 12

Name of Taxpayer	Type of Enterprise	Assessed Valuation	Percent of Total Assessed Valuation
Carteret-Craven Electric Memb. Corp.	Utility	\$31,699,787	0.45%
Carolina Telephone	Utility	31,404,459	0.43
Open Grounds Farm, Inc.	Farm	28,304,280	0.40
Carolina Power & Light Co.	Utility	26,141,412	0.36
Atlantic Hotel Ltd	Hotel	15,371,262	0.21
RPM Partners, Paxon Holz	Real Estate	13,198,845	0.18
Glimcher Properties Ltd	Shopping Center	12,092,146	0.17
Atlantic Veneer Corp.	Manufacturing	10,519,961	0.15
The Windsteamer Co.	Hotel	9,839,797	0.14
Southstar Holdings MHC LLC	Retail	8,386,649	0.12
		<u><u>\$186,958,598</u></u>	<u><u>2.61%</u></u>

**Carteret County, North Carolina
Property Value, Construction, & Bank Deposits
Last Ten Fiscal Years**

Table 13

Fiscal Year Ended June 30	Property Value	Construction⁽²⁾ Number of Permits Issued	Construction Value	Bank Deposits⁽¹⁾
1993	\$3,373,785,512	1,870	\$29,997,950	\$437,150,000
1994	3,488,056,087	2,169	40,982,172	446,743,000
1995	3,548,644,879	2,930	27,453,693	482,619,000
1996	3,647,582,648	3,153	35,647,790	523,958,000
1997	3,781,043,111	3,275	40,265,512	555,039,000
1998 ⁽³⁾	5,248,257,973	3,619	54,069,500	592,710,000
1999	5,373,778,334	2,665	46,128,300	613,821,000
2000	5,523,981,229	2,652	53,631,985	623,397,000
2001	5,644,373,594	1,559	91,224,302	662,955,000
2002 ⁽³⁾	7,185,163,146	1,986	54,738,045	*

Notes: * Not Available

(1) North Carolina State Banking Commission

(2) Carteret County Planning Department (does not include any incorporated areas for municipalities)

(3) Revaluation Year

**Carteret County, North Carolina
Miscellaneous Statistics
June 30, 2002**

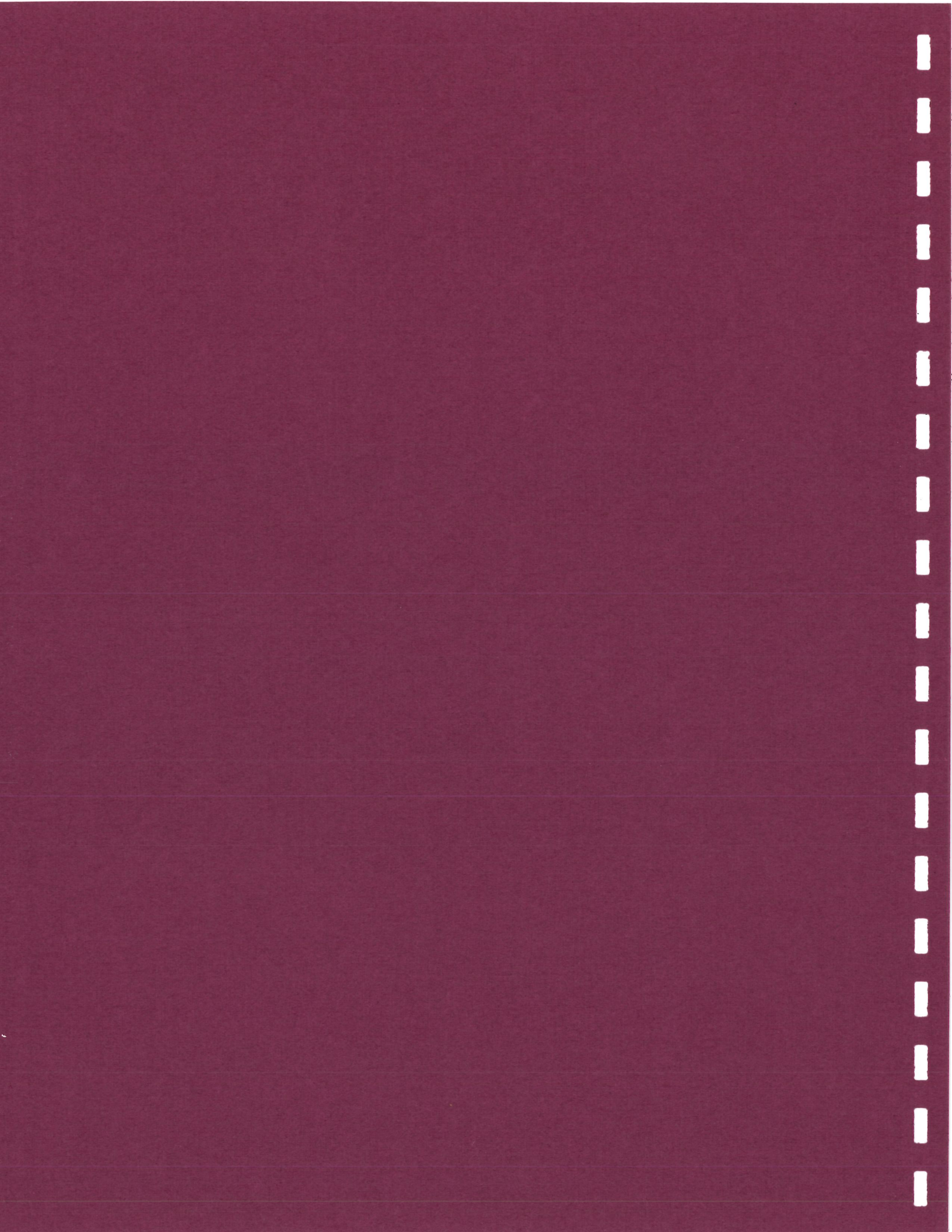
Table 14

Date of Establishment	1722
Form of Government	Commission-Manager
Area	526 Square Miles
Carteret County Facilities and Services:	
Fire Protection:	
Number of stations	24
Number of firemen and officers	615
Number of patrol units	1,850
Police Protection:	
Number of stations	1
Number of deputies and officers	50
Number of patrol units	20
Inspections:	
Number of building permits issued (1)	1,986
Cultural and Recreational:	
Number of parks	7 with 148 total acres
Number of public beach accesses/ boat ramps.	9
Facilities and Services not included in primary government:	
Hospitals (2)	
Number of hospitals	1
Number of patients beds	117
Facilities and Services not included in the reporting entity:	
Education (3)	
Number of Schools	16
Number of teachers	700
Number of students	8,177
Cultural and Recreational (4)	
Number of libraries	4
Number of volumes	85,820

Sources:

- (1) Permits issued for fiscal year 2001
- (2) Carteret General Hospital
- (3) Carteret County Board of Education
- (4) Carteret County Library

COMPLIANCE



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of County Commissioners
Carteret County, North Carolina

We have audited the general purpose financial statements of Carteret County, North Carolina, as of and for the year ended June 30, 2002, and have issued our report thereon dated September 13, 2002. We did not audit the financial statements of Carteret General Hospital Corporation, Carteret County Alcoholic Beverage Control (ABC) Board, Beaufort-Morehead City Airport Authority or Carteret County Tourism Development Authority. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the general purpose financial statements, insofar as it relates to the amounts included for Carteret General Hospital Corporation, Carteret County Alcoholic Beverage Control (ABC) Board, Beaufort-Morehead City Airport Authority and Carteret County Tourism Development Authority is based solely on the reports of the other auditors. Except as noted in the next paragraph, 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 General Hospital Corporation, Carteret County Alcoholic Beverage Control Board and Beaufort-Morehead City Airport Authority were not audited in accordance with the standards applicable to financial audits contained in Government Auditing Standards and, accordingly, this report does not extend to those component units. Our audit, described below, also did not include the operations of Carteret County Tourism Development Bureau because that component unit engaged another auditor to perform an audit in accordance with the standards applicable to financial audits contained in Government Auditing Standards.

Compliance

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

McGladrey & Pullen, LLP
is an independent member
firm of RSM International,
an affiliation of independent
accounting and consulting firms.

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 opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Carteret County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 02-1.

A material weakness is a 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 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

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 the specified parties.

McGladrey & Pullen, LLP

Morehead City, North Carolina
September 13, 2002

**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

Scope of the Report

Carteret County's general purpose 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 discretely presented component units of Carteret County. The financial statements of Carteret General Hospital Corporation, ABC Board and Beaufort-Morehead Airport Authority were not audited in accordance with Government Auditing Standards, OMB Circular A-133, or the State Single Audit Implementation Act. The financial statement of Carteret County Tourism Development Authority was audited in accordance with Government Auditing Standards, but not in accordance with OMB Circular A-133 or the State Single Audit Implementation Act. Accordingly, our audit, described below, does not extend to any of the County's discretely presented component units.

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, 2002. 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.

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.

McGladrey & Pullen, LLP
is an independent member
firm of RSM International,
an affiliation of independent
accounting and consulting firms.

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, 2002.

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.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Carteret County's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 02-2.

A material weakness is a 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 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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 02-2 to be a material weakness.

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 the specified parties.

McGladrey & Pullen, LLP

Morehead City, North Carolina
September 13, 2002



**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

Scope of the Report

Carteret County's general purpose 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 discretely presented component units of Carteret County. The financial statements of Carteret General Hospital Corporation, ABC Board and Beaufort-Morehead City Airport Authority 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 statement of Carteret County Tourism Development Authority was 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. Accordingly, our audit, described below, does not extend to any of the County's discretely presented component units.

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, 2002. 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 the Carteret County's compliance based on our audit.

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, 2002.

McGladrey & Pullen, LLP
is an independent member
firm of RSM International,
an affiliation of independent
accounting and consulting firms.

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.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Carteret County's ability to administer a major State program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable condition is described in the accompanying schedule of findings and questioned costs as item 02-3.

A material weakness is a 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 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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 02-3 to be a material weakness.

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 the specified parties.

McGladrey & Pullen, LLP

Morehead City, North Carolina
September 13, 2002

CARTERET COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ending June 30, 2002

Section 1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Reportable condition(s) identified
that are not considered to be
material weaknesses? yes X none reported
- Noncompliance material to financial
statements noted? yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? X yes no
- Reportable condition(s) identified
that are not considered to be
material weaknesses? yes X 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) of
Circular A-133? X yes no

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA</u>
Medical Assistance	93.778
Child Day Care Cluster	93.575/93.596/93.667/93.558
TANF	93.558

CARTERET COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Fiscal Year Ending June 30, 2002**

Dollar threshold used to distinguish
between Type A and Type B Programs

\$ 1,027,479

Auditee qualified as low-risk auditee?

X yes _____ no

State Awards

Internal control over major State programs:

Material weakness(es) identified?

X yes _____ no

Reportable condition(s) identified
that are not considered to be
material weaknesses?

_____ yes X 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?

X yes _____ no

Identification of major State programs:

<u>Program Name</u>	<u>Grant #</u>
State/County Special Assistance	N/A
Subsidized Child Care Cluster	N/A
Public School Building Capital Fund	N/A
Clean Water Grant	N/A

Section 2. Financial Statement Findings
--

Internal Control Condition Assessed to be Material Weakness

Finding 02-1:

Condition:

The County does not have adequate segregation of duties in the data entry and proofing of the accounts payable invoices prior to actual disbursements.

CARTERET COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Fiscal Year Ending June 30, 2002**

Section 2. Financial Statement Findings (Continued)

Recommendation: The County should segregate the review process from the data entry of accounts payable invoices prior to distribution of the actual disbursements. We also recommend that management review the adequacy of staffing of the finance office given the increased amount of duties and responsibilities placed on this department.

Management Response: Management agrees with the finding and has implemented new procedures as soon as it was brought to our attention.

Section 3. Federal Award Findings and Questioned Costs

Finding 02-2: See finding 02-01.

Section 4. State Award Findings and Questioned Costs

Finding 02-3: See finding 02-01.

**CARTERET COUNTY, NORTH CAROLINA
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2002**

Findings 02-1, 02-2, 02-3:

Name of contact Person: Dee Harris

Corrective Action: The County has corrected the lack of segregation of duties as follows: After approved invoices have been entered into the accounts payable system by the accounts payable technician, a separate person within the finance office is responsible for verifying the accuracy of the data entry and performing a final review on the check register and printed checks prior to distribution.

Proposed Completion Date: Implemented immediately after auditors discussed with management.

**CARTERET COUNTY, NORTH CAROLINA
STATUS OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2002**

There were no findings for the year ended June 30, 2001.

CARTERET COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2002

(Page 1 of 6)

	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		\$ 14,810	\$ -	\$ 53,848
Passed through NC Department of Health and Human Services:					
Division of Women and Children:					
Administered by County Health Department:					
Special Supplemental Food Program for Women, Infants and Children:					
Benefit Payments - noncash	10.557		692,866	-	-
Client Services	10.557		82,062	-	16,464
Nutrition Education	10.557		27,428	-	4,809
Administration	10.557		15,266	-	6,181
Breast Feeding	10.557		7,995	-	3,719
			<u>825,617</u>	<u>-</u>	<u>31,173</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 Benefits - noncash	10.551		2,456,771	-	-
Food Stamp Admin	10.561		186,982	-	186,982
Food Stamp E&T & Depend Care	10.561		1,525	-	1,525
Food Stamp Fraud Admin	10.561		17,582	-	17,582
			<u>2,662,860</u>	<u>-</u>	<u>206,089</u>
Passed through Neuse River Council of Governments:					
Administered by Carteret Community Action					
USDA Supplement	10.570		12,831	-	-
Total US Department of Agriculture			<u>3,516,118</u>	<u>-</u>	<u>291,110</u>
US Department of Housing and Urban Development:					
Passed through NC Department of Commerce:					
Administered by the Carteret County Finance:					
Community Development Block Grant	14.228	01-C-0587	17,296	-	-
Community Development Block Grant	14.228	00-B-0705	475,415	-	-
Community Development Block Grant	14.228	97-F-0410	283,061	-	-
Total US Department of Housing and Urban Development			<u>775,772</u>	<u>-</u>	<u>-</u>
US Department of Justice:					
Direct Program:					
Community Oriented Policing Services					
COPS Fast	16.710		23,082	-	12,429
US Department of Interior:					
Administered by County Finance Department:					
National Forest, Public Schools	15.225		80,677	-	-

CARTERET COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2002

(Page 2 of 6)

	CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
US Department of Labor:					
Passed through NC Department of Health and Services					
NC Division of Aging:					
Passes through Eastern Carolina Council of Governments					
Administered by Coastal Community Action					
Senior Community Service Employment Program Title	17.235		41,507	-	4,612
US Department of Transportation:					
Passed through NC Department of Transportation:					
Administered by County Finance Department:					
Elderly and Disabled Transportation Assistance	20.509		118,436	-	-
Federal Emergency Management Agency:					
Passed through NC Department of Crime Control and Public Safety:					
Administered by County Department of Emergency Management:					
Hazard Mitigation Grant	83.548		9,998	-	-
US Department of Health and Human Services:					
Passed through NC Department of Health and Human Services					
Division of Aging, Home and Community Care Block Grant					
Aging Cluster					
Administered by Carteret County Department of Social Services					
Title III F	93.043		8,293	6	1,457
Access 90% State Funds	-		-	43,261	4,807
Access Title III B	93.044		23,174	1,363	2,726
In-home State 90% State Funds	-		-	129,499	14,389
In home level III B (Aging Cluster)	93.044		58,339	3,432	6,863
			89,806	177,561	30,242
Passed through Eastern Carolina Council					
Title C-1 90% State Funds (Congregate Meals)	-		-	8,475	942
Title C-1 (Congregate Meals)	93.045		34,366	2,022	4,043
Title C-2 90% State Funds (Home Delivered)	-		-	20,025	2,225
Title C-2 (Home Delivered)	93.045		17,804	1,047	2,095
Senior Center Capital Improvements	93.xxx		5,681	-	631
			57,851	31,569	9,936
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		620,278	-	109
Work First Administration	93.558		74,712	-	68,153
TANF Domestic Violence	93.558		10,676	-	-
Work First Service	93.558		534,578	-	449,675
			1,240,244	-	517,937
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		70,375	-	-
Administration	93.568		5,845	-	-
Crisis Intervention payments	93.568		39,721	-	-
			115,941	-	-

CARTERET COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2002

(Page 3 of 6)

	CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
Passed through NC Department of Health and Services					
Administered by Carteret County Department of Social Services					
Subsidized Child Care Cluster:					
Child Care & Development Fund-Discretionary	93.575		708,804	-	-
Child Care & Development Fund-Mandatory	93.596		334,054	-	-
Child Care & Development Fund-Match	93.596		285,249	15,634	-
SSBG	93.667		16,343	-	-
Temporary Assistance for Needy Families	93.558		162,747	-	-
State Appropriations			-	210,699	-
TANF- MOE			-	239,190	-
			<u>1,507,197</u>	<u>465,523</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		21,848	5,577	1,705
Adoption subsidy	93.645		-	33,218	11,073
			<u>21,848</u>	<u>38,795</u>	<u>12,778</u>
Foster Care and Adoption Cluster:					
Title IV-E Foster Care:					
Administration	93.658		107,044	-	107,044
Foster Care payments	93.658		197,618	54,827	113,849
Title IV-E adoption subsidy	93.659		63,322	19,690	19,690
			<u>367,984</u>	<u>74,517</u>	<u>240,583</u>
Social Services Block Grant:					
Family Planning:					
Other Services and Training	93.667		151,528	16,240	55,923
In-home Services	93.667		32,958	-	4,708
In-home Services - SSBG	93.667		4,355	150	501
			<u>188,841</u>	<u>16,390</u>	<u>61,132</u>
Passed through NC Department of Health and Human Services					
Administered by County Department of Social Services:					
Independent Living	93.674		626	157	0
Passed through NC Department of Health and Human Services					
Administered by County Department of Social Services:					
Safe Children's Health Insurance Program	93.767		50,575	3,115	15,416
Passed through NC Department of Health and Human Services					
Division of Medical Assistance					
Medical Assistance:					
Benefit payments	93.778		25,289,379	13,223,372	2,216,396
Administration	93.778		596,552	40,417	552,345
Transportation	93.778		24,055	-	24,055
			<u>25,909,986</u>	<u>13,263,789</u>	<u>2,792,796</u>
Passed through NC Department of Health and Human Services					
Division of Public Health:					
Maternal and Child Services Block Grant					
Maternal Health	93.994		25,986	-	-
Child Health	93.994		31,492	-	-
			<u>57,478</u>	<u>-</u>	<u>-</u>

CARTERET COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2002

(Page 4 of 6)

	CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
Passed through NC Department of Health and Human Services					
Division of Public Health:					
HHS-COMP Breast & Cervical Cancer	93.919		28,694	-	7,371
HHS-Preventive Health Block Grant Risk Reduction/ Health Promotion	93.991		31,366	8,917	-
HHS-CDC-Immunization Immunization - General	93.268		15,286	-	-
Total US Department of Health and Human Services			29,683,723	14,080,333	3,688,191
STATE ASSISTANCE					
NC Department of Health and Human Services:					
Division of Youth Services:					
Community based Alternatives:					
Administered by County Department of Social Services:					
A.N.C.H.O.R.			-	64,410	13,111
Administered by County Finance Department:					
Services for Court Referrals					
Juvenile Restitution Fund			-	43,971	-
Teen Court			-	30,561	-
			-	74,532	-
Division of Social Services:					
Administered by County Department of Social Services:					
State/County Special Assistance Benefit payments			-	369,572	369,572
Energy Assistance, Carolina Power & Light Project			-	25,802	-
Aid to Counties			-	44,738	-
State Foster Home			-	20,111	20,110
			-	460,223	389,682
Division of Aging:					
Passed through Eastern Carolina Council of Government					
Administered by the County Department of Social Services					
In-house Services 90% State Funds					
Outreach			-	2,388	265
Operation Fan			-	386	-
			-	2,774	265
Division of Public Health:					
Administered by County Health Department:					
AIDS			-	10,375	-
Child Care Coordination			-	34,693	184,156
Child Health			-	15,219	122,937
Environmental Health			-	10,507	746,445
Health Center			-	20,170	757,202
Healthy Carolinians			-	7,504	-
Maternal Health State			-	17,322	132,010
Renal Disease			-	10,612	52
Tuberculosis			-	12,490	-
			-	138,892	1,942,802

CARTERET COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2002

(Page 5 of 6)

	CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
Division of Child Development:					
Passed through Carteret County Partnership for Children					
Smart Start					
			-	109,544	-
Total NC Department of Health and Human Services					
			-	850,375	2,345,860
NC Department of Crime Control and Public Safety:					
Administered by County Department of Emergency Management:					
Crisis Housing Hurricane Floyd Redevelopment					
		00D145	-	112,500	-
NC Department of Environment and Natural Resources:					
Natural Resources Division:					
Passed through County Finance Office:					
White Goods Disposal					
			-	42,595	-
Scrap Tire Disposal					
			-	88,154	-
			-	130,749	-
Division of Water Resources:					
Administered by the County Finance Department:					
Radio Island					
			-	67,500	17,252
Newport River Dredging Project Study					
			-	14,000	14,000
			-	81,500	31,252
Division of Coastal Management:					
Administered by the County Planning Department:					
CAMA Grant					
			-	21,094	-
Division of Parks and Recreation:					
Administered by the County Parks and Recreation Department					
Eastern Park Project					
			-	24,655	-
Western Park Project					
			-	-	235,674
			-	24,655	235,674
Division of Environmental Health:					
Administered by the County Manager's Office					
Clean Water Grant					
			-	1,378,928	-
Total NC Department of Environment and Natural Resources					
			-	1,636,926	266,926
NC Department of Corrections:					
Administered by the County Finance Office:					
Criminal Justice Partnership Program					
			-	72,785	-
NC Department of Administration:					
Division of Veterans Affairs:					
Administered by County Veterans Services:					
Veterans Services					
			-	2,000	146,765
Other:					
Sexual Assault/Rape Crisis					
			-	10,500	2,200
Victims of Crime Act					
			-	3,987	-
Domestic Violence					
			-	31,500	-
Marriage License					
			-	16,778	-
Child Victims					
			-	3,335	-
Rape Prevention					
			-	10,500	-
ESGP					
			-	6,713	6,713
VANA					
			-	15,461	3,092
Total NC Department of Administration					
			-	100,774	158,770

CARTERET COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2002

(Page 6 of 6)

	CFDA Number	Grantor's Number	Federal	State	Local
NC Department of Public Instruction:					
Public School Bond Fund					
Passed to Carteret County Board of Education					
			-	13,957	-
NC Department of Transportation					
Rural Operating Assistance Program					
			-	70,563	7,056
DOT Transportation Coordinator Grant					
			-	54,853	8,228
DOT Work First Grant					
			-	8,139	1,221
CCATS Van Program					
			-	46,977	4,698
			-	180,532	21,203
NC Office of Budget and Management:					
Administered by the County Finance Department					
Public School Building Capital Fund					
			-	300,000	1,708,600
Total Federal Expenditures			<u>\$ 34,249,313</u>		
Total State Expenditures				<u>\$ 17,395,159</u>	
Total Local Expenditures					<u>\$ 8,502,399</u>

CARTERET COUNTY, NORTH CAROLINA

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2002**

Note 1. General

The accompanying Schedule of Expenditures of Federal and State Awards represents only the activity of all federal and State financial assistance programs of Carteret County, North Carolina, primary government. The information is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

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 general purpose financial statements, except that "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 general purpose financial statements, are included herein.

Note 3. Relationship to General Purpose 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.

