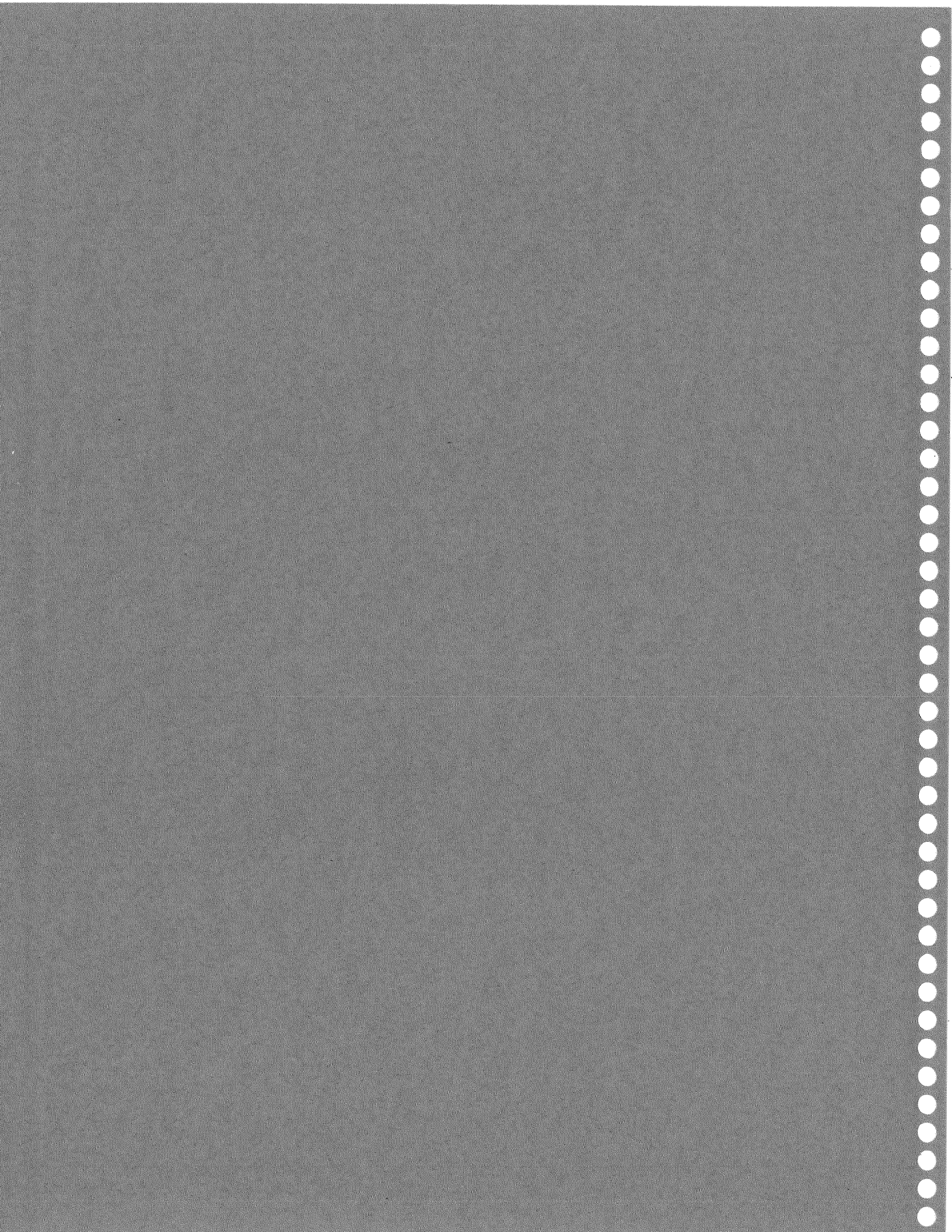


CARTERET COUNTY
NORTH CAROLINA

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2003



CARTERET COUNTY
NORTH CAROLINA

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2003

Prepared By Finance Department
Dee Harris, Finance Director

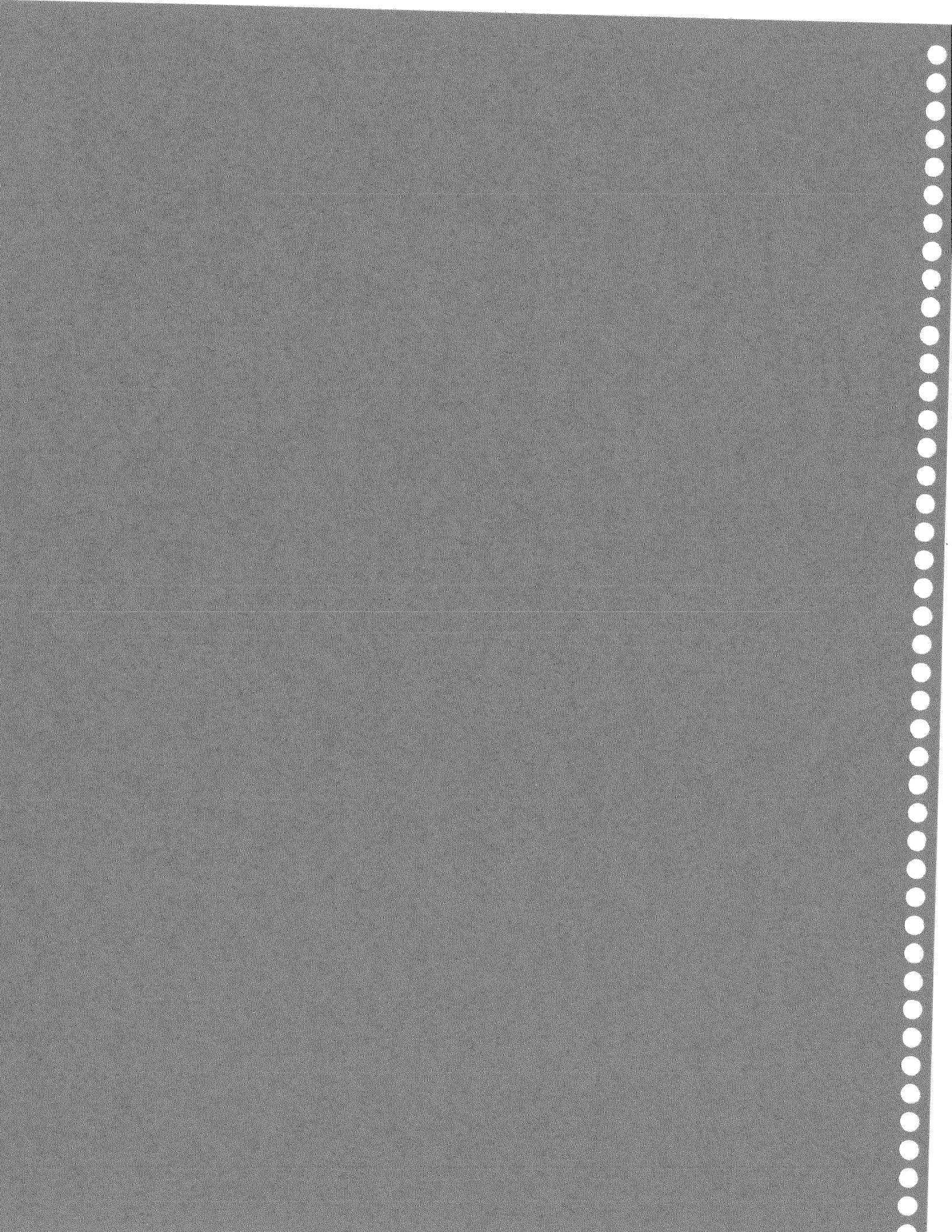


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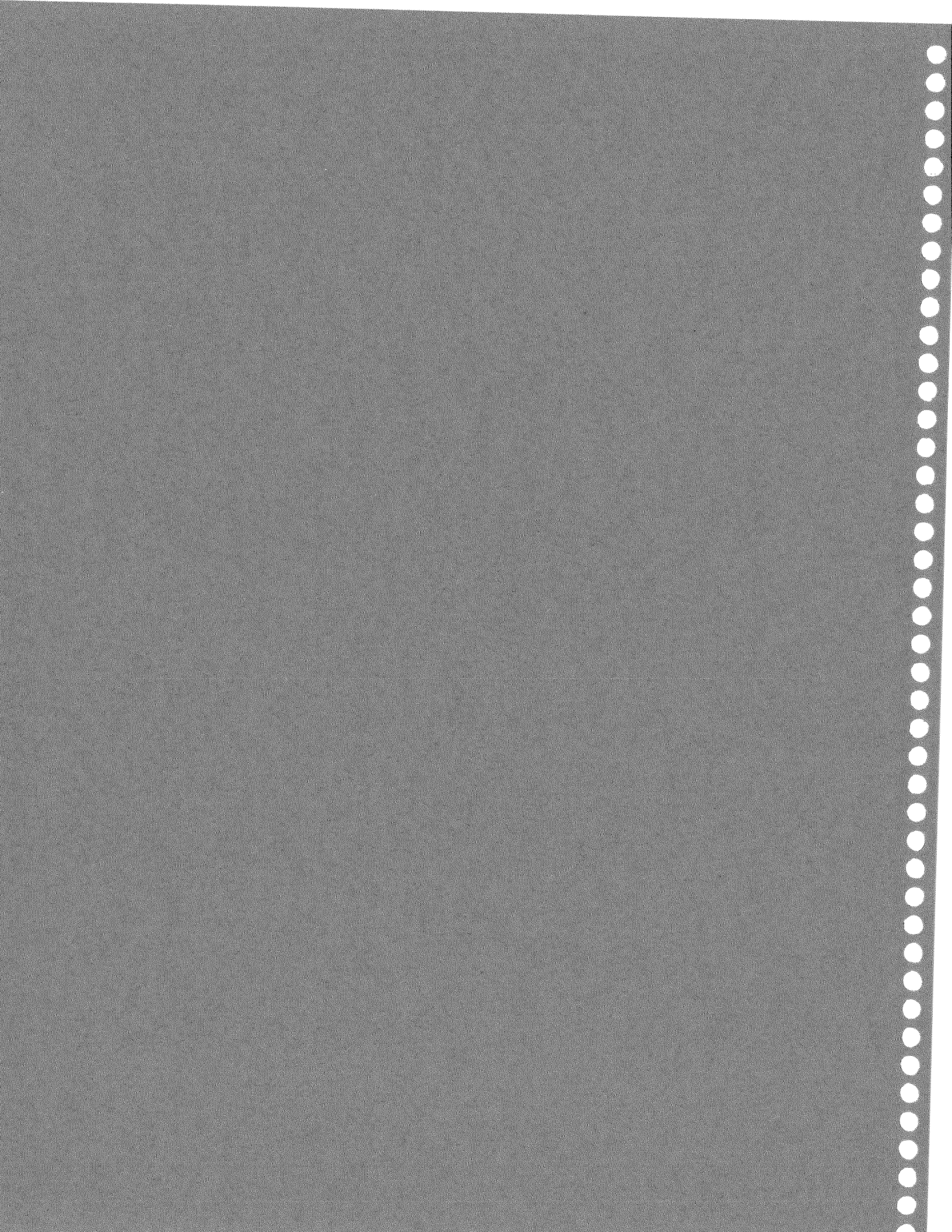
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INTRODUCTORY SECTION



Carteret County Finance

Denise K. Harris, CPA
Finance Director



Tel: (252) 728-8410
Fax: (252) 728-8424

December 2, 2003

To the Citizens of Carteret County:

State law requires that all general-purpose local governments publish within four months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the County of Carteret (the County) for the fiscal year ended June 30, 2003.

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

The County's financial statements have been audited by McGladrey and Pullen, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended June 30, 2003, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the County

Carteret County, incorporated in 1722, is a growing county located on the central coastline of North Carolina with approximately 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. Policy-making and legislative authority are vested in the governing board. The governing board is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the county's manager and attorney. The county manager is responsible for carrying out the policies and ordinances of the governing board, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments.

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

The annual budget serves as the foundation for the County's financial planning and control. All agencies of the County are required to submit requests for appropriation to the county's manager on or before the end of February each year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., law enforcement). Department heads may make transfers of appropriations within a department. The county manager may transfer amounts between objects of expenditures and revenues within a department without limitation. She may transfer amounts up to \$20,000 between departments of the same fund. She may not transfer any amount between funds nor from contingency appropriation within any fund without action of the Board of Commissioners. The manager may also transfer amounts within and between funds for the sole purpose of funding salary and benefits adjustments consistent with the Carteret County personnel policy. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 29 as part of the basic financial statements for the governmental funds. Also included in the governmental fund subsection are project-length budget-to-actual comparisons for each governmental fund for which a project-length budget has been adopted (i.e., the special revenue funds and the capital projects funds).

Factors Affecting Financial Condition

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

Local Economy

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

Industrial Parks.

The Jarrett Bay Marine Industrial Park is approximately 170 acres north of Beaufort on the Intracoastal Waterway. The Park concentrates on the boat industry. Carteret County has thirty boat builders, the largest number in NC. The Park continues to expand with four sales lots currently under contract. In addition, Parker Marine and Veneer Technology expanded and created more jobs in the county.

Crystal Coast Business Park is located off US70 in Morehead City. The park is 58 acres with eleven parcels. Four parcels have been sold, and the County continues its efforts to recruit businesses to this park. Parcel sizes vary from approximately 2 acres to over 10 acres.

Marine Research.

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

The NC Aquarium in Pine Knoll Shores \$23 million expansion will begin in January 2004. The aquariums square footage will more than triple from 29,000 to 93,000 square feet. New exhibits will include a 306,000 gallon ocean tank. The aquarium anticipates reopening in 2006. Current visitation is 240,000 annually and projections increase visitation to 500,000 the first year it reopens.

Carteret County is part of a 14 county collaborative effort that is planning for the extension of natural gas in to the unserved counties of eastern North Carolina. The extension of gas into Carteret County, which is to be complete late 2004 or early 2005, will enhance the county's industrial recruitment efforts. Currently, the project is near the end of its environmental permitting phase. The exact route of the natural gas from New Bern to Morehead City should be determined early 2004. In 1998, North Carolina voters approved \$200 million in general obligation bonds for construction of natural gas infrastructure.

The following table lists the 10 largest manufacturing and nonmanufacturing employers in the County in 2003:

Employer	Service	Approximate number of Employees
Carteret County Public Schools	Education	1,234
Carteret General Hospital	Medical	830
Wal Mart	Retail	500
Food Lion	Food Services	435
Carteret County	Government Service	410
Atlantic Veneer	Hardwood Veneer	345
U.S. Coast Guard	Military	322
Henry's Tackle & Sporting Goods	Wholesale Distribution	304
Carteret Community College	Education	220
Bally Refrigerated Boxes	Walk-in Refrigerated Units	200

Source: Carteret County Economic Development Council, July 2003

Long-term Financial Planning

The County's operating budget for the fiscal year ending June 30, 2004 totals \$67,507,163 with a tax rate of \$.42 per \$100 of assessed value, based on a total valuation of \$7,618,716,693. The County anticipates moderate growth in its tax base. For the County's operating budget for the fiscal year ending June 30, 2005, it is anticipated that the tax rate would need to be between \$.42 and \$.44 per \$100 of assessed value to maintain the current level of service.

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

Cash Management

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

Pension and Other Postemployment Benefits

Carteret County administers a public employee retirement system (the "Separation Allowance"); a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowance that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The County finances this on a pay-as-you-go basis.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2002, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled but not yet receiving benefits	0
Active plan members	<u>38</u>
Total	<u>38</u>

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

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

The County also provides post retirement health care benefits for certain retirees. At the end of the current fiscal year, there were 23 retired employees receiving this benefit, which is financed on a pay-as-you-go basis. GAAP does not require governments to report a liability in the financial statements in connection with an employer's obligation to provide this benefit. Additional information of the County's pension arrangements and postemployment benefits can be found in Note Ten in the notes to the financial statements.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Carteret County for its Comprehensive Annual Financial Report for the year ended June 30, 2002. This was the seventh consecutive year that Carteret County has received this prestigious award. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, the County also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year ended June 30, 2003. In order to qualify for the Distinguished Budget Presentation Award, the county's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

In summary, this Comprehensive Annual Financial Report provides a source of information to citizens, the Board of 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 and Pullen, LLP without whose dedicated assistance this report could not have been produced. Gratitude goes to the Board of Commissioners for their continued interest and support throughout the past year.

Sincerely,

A handwritten signature in cursive script that reads "Dee K. Harris".

Dee K. Harris
Finance Director

CARTERET COUNTY, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2003

**BOARD OF
COMMISSIONERS**

BETTIE BELL
Chair
Morehead City, North Carolina

DOUG BRADY
Morehead City, North Carolina

RAY MUNS
Newport, North Carolina

LINDA CLAY
Newport, North Carolina

JONATHAN ROBINSON
Vice Chair
Atlantic, North Carolina

JACK DAWSEY
Cape Carteret, North Carolina

DAVID WHEATLY
Beaufort, North Carolina

COUNTY OFFICIALS

Mary Ann Hinshaw

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

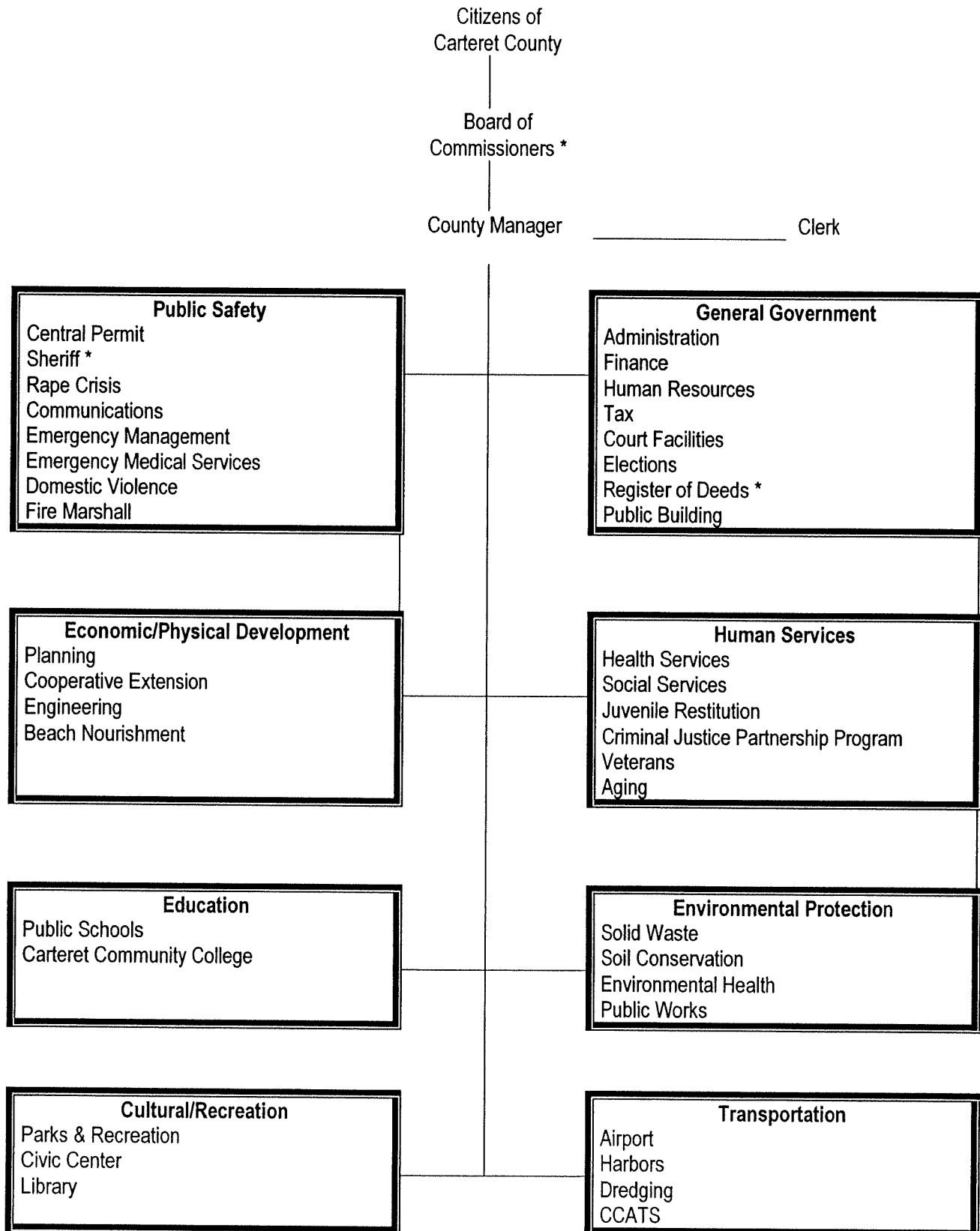
Patsy Hardesty

Elections Director

Richard Gay

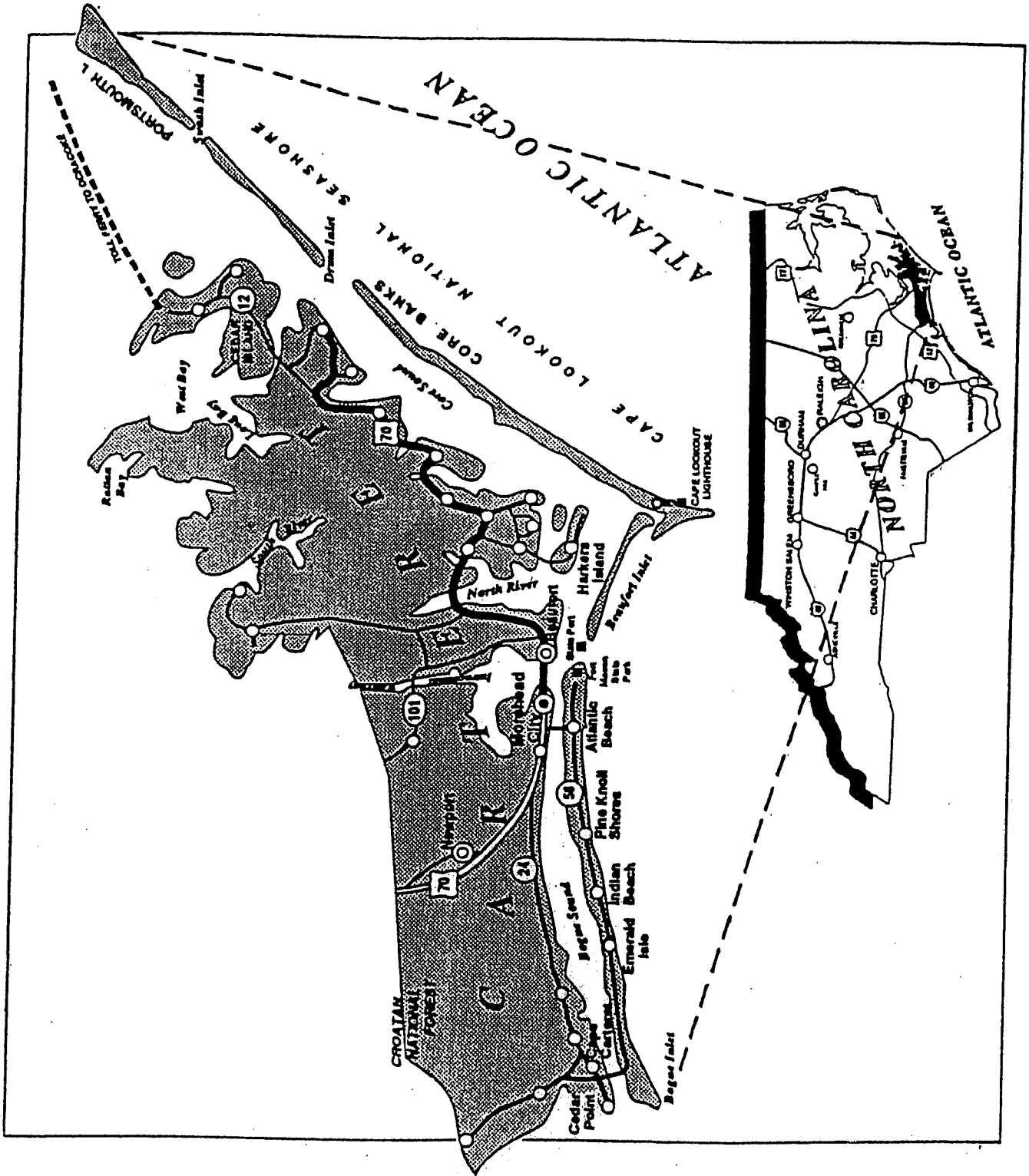
Human Resources Director

Carteret County, North Carolina Organizational Chart



* Elected Officials

MAP OF CARTERET COUNTY, NORTH CAROLINA



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Carteret County,
North Carolina

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

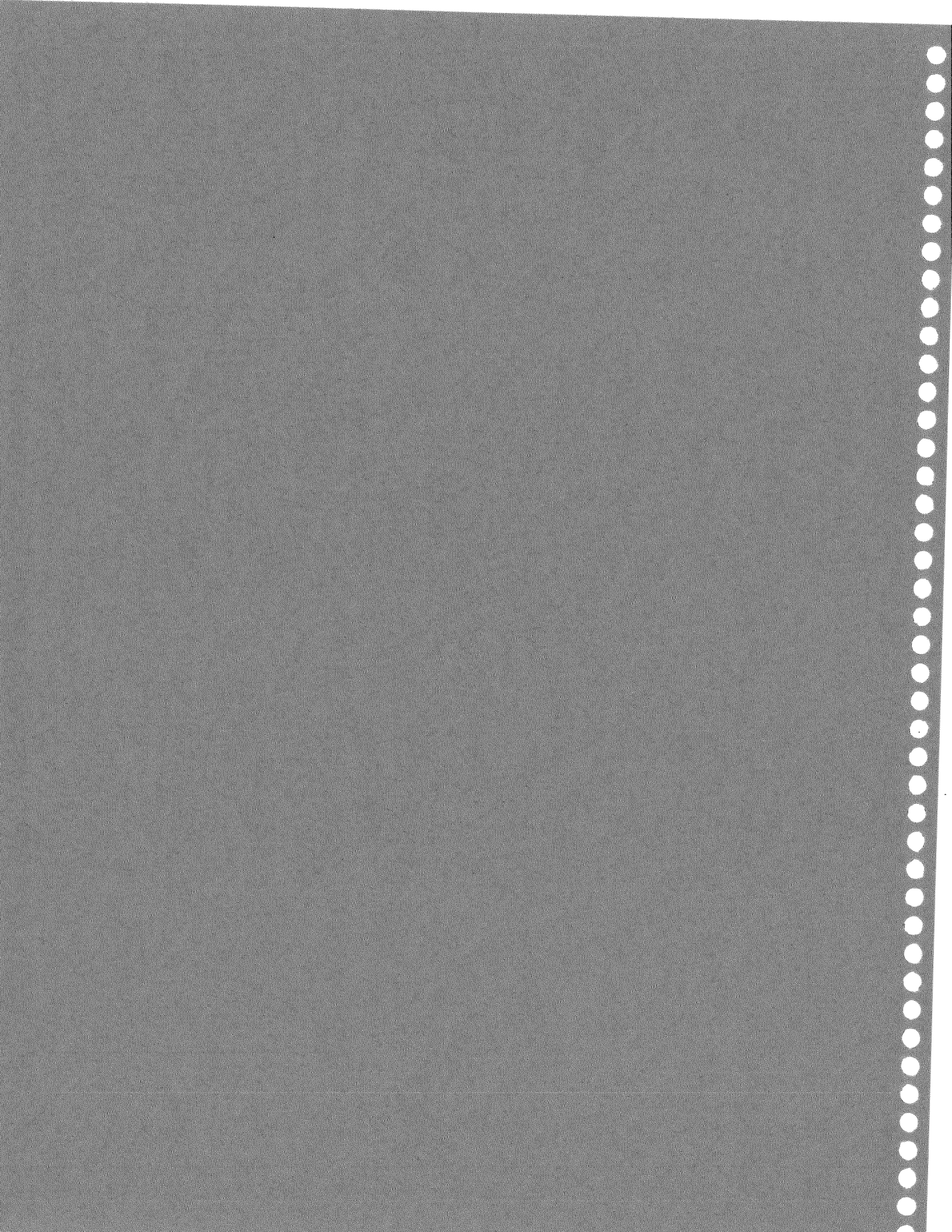
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

FINANCIAL SECTION



McGladrey & Pullen

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carteret County, North Carolina, as of and for the fiscal year ended June 30, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Carteret County, North Carolina's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Beaufort-Morehead City Airport Authority, Carteret County Tourism Development Authority, Carteret County Alcoholic Beverage Control (ABC) Board or Carteret 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 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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

As stated in Note 1, Carteret County, North Carolina adopted Governmental Accounting Standards Board (GASB) Statements No. 34, Basic Financial Statements-and Management's Discussion and Analysis-For State and Local Governments, No. 37, Basic Financial Statements-and Management's Discussion and Analysis-For State and Local Governments: Omnibus and No. 38, Certain Financial Statements Note Disclosures, and GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financials.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregately discretely presented component units, each major fund, and the aggregate remaining fund information of Carteret County, North Carolina, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof 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 October 3, 2003 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.

Management's Discussion and Analysis information on pages 13 through 21 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standard Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

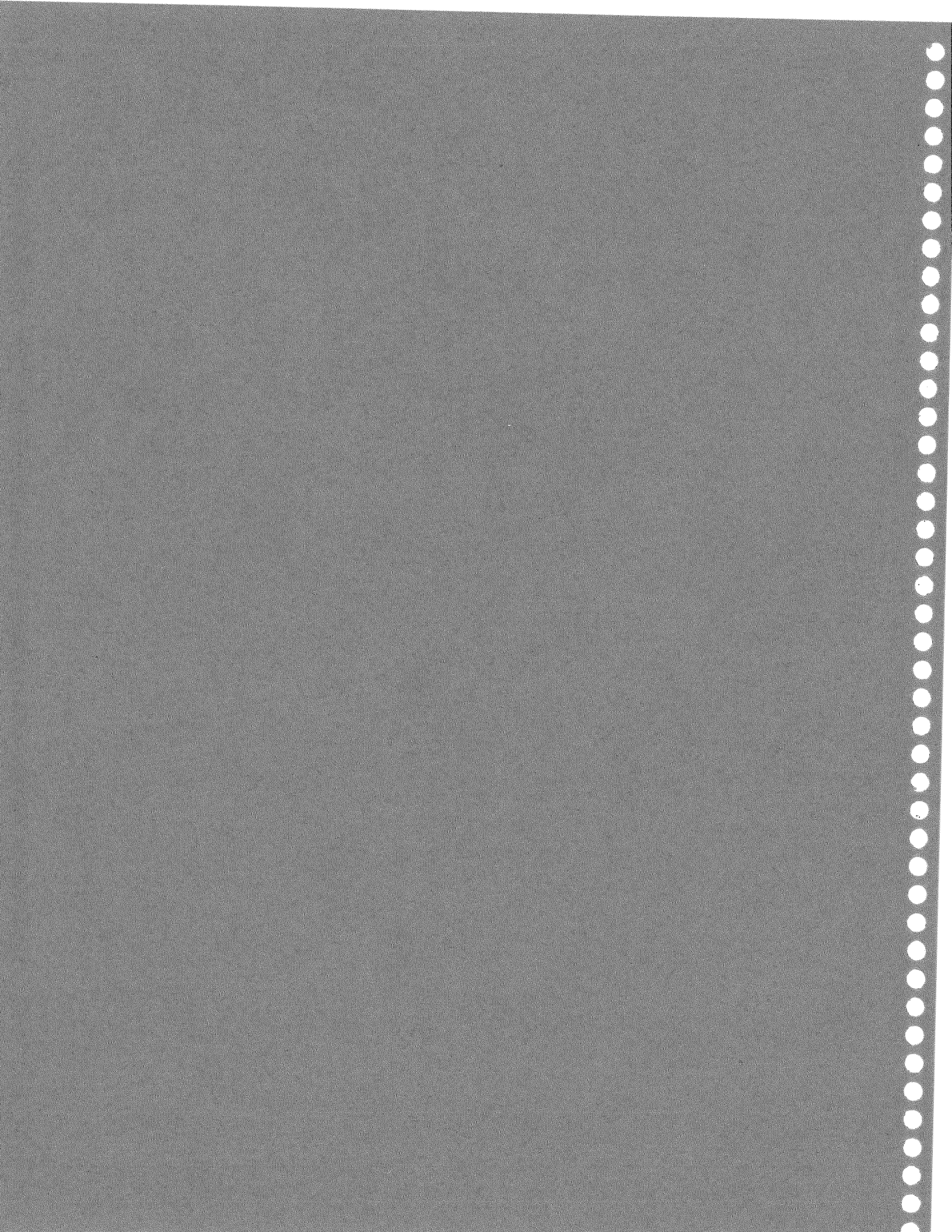
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Carteret County, North Carolina basic financial statements. The combining and individual non-major fund financial statements and other schedules listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the accompanying Schedule of Expenditures of Federal and State Awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act, listed in the table of contents in the Compliance Section, is not a required part of the basic financial statements. Such information and schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the Table of Contents, are presented for purposes of additional analysis and are not required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Morehead City, North Carolina
October 3, 2003

MANAGEMENT DISCUSSION
AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County, we offer readers of Carteret County's (the "County") financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2003. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

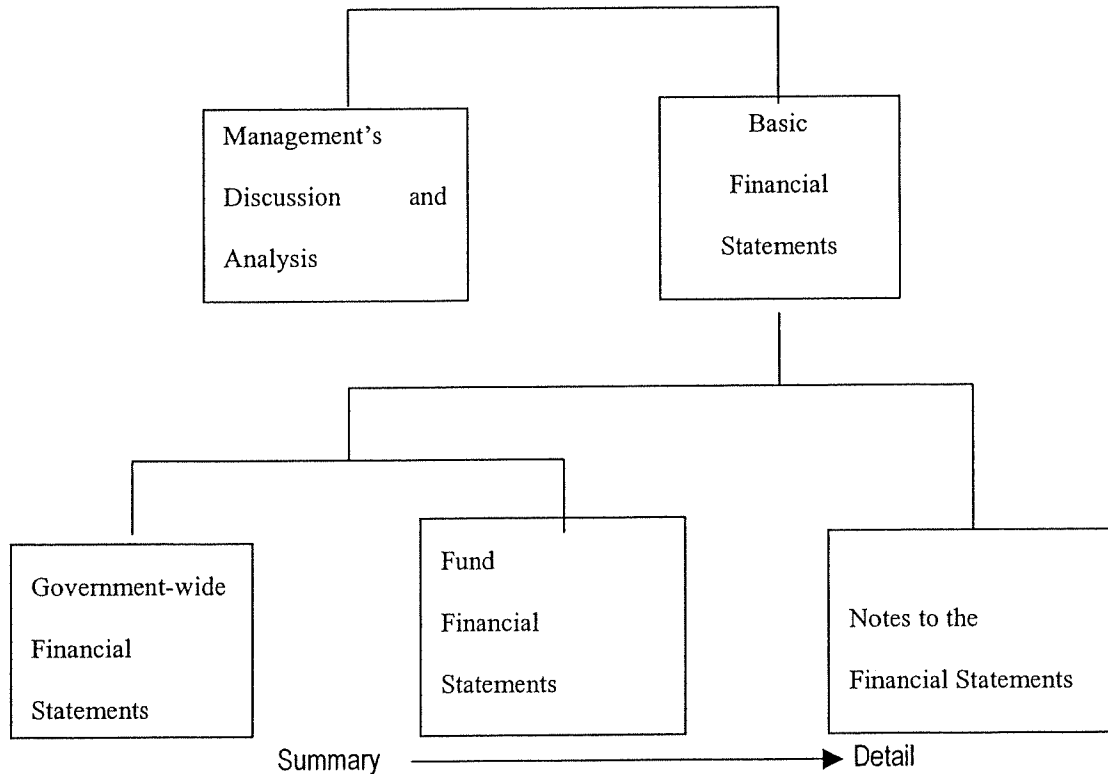
- The assets of Carteret County exceeded its liabilities at the close of the fiscal year by \$1,011,777 (*net assets*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$10,469,005 or 18.08 percent of total general fund expenditures for the fiscal year.
- At June 30, 2003, the County's total debt had increased from the prior fiscal year end by \$12,138,702 (amount does not include \$176,250 deferred amount for refunding). The key factor in this increase was the general obligation bonds issued for \$7.6 million for Community College classroom buildings construction, and the \$7.5 million certificate of participation of school capital improvement needs.
- The County maintained its AA- (Fitch IBCA), Aa3 (Moody's Investor Services) and A1 (Standard&Poor's) bond rating for the 3rd consecutive year..

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the County.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's non-major governmental funds and internal service funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gauge the County's financial condition.

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

The government-wide financial statements are on Pages 22 through 25 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of the County can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the Statement of Revenues, Expenditures and Changes in Fund Balance. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 37 - 77 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning The County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 71 of this report.

Government-wide Financial Analysis

The government-wide financial statements for the fiscal year ended June 30, 2003, are the beginning of a new era in financial reporting for the County, and many other units of government across the United States. Prior to this year, The County maintained their governmental and proprietary fund groups as two separate and very distinct types of accounting without any type of consolidated statement that accurately reflected the operations and net assets of the government as a whole. There was a total column that appeared on the financial statements, but it was a memorandum total only. No attempt was made to adjust the statements in such a way that the total column would represent the overall financial condition of The County. These statements were basically the equivalent of the fund financial statements that appear in this report with fiduciary funds and two account groups, the long-term debt and the general fixed assets, added in.

The changes in the financial statement reporting model are mandated by the Governmental Accounting Standards Board (GASB). GASB Statement 34 dictated the changes you see in The County's financial reports as well as those of many other units of government. While The County was required to implement these changes for the fiscal year ended June 30, 2003, other units may not be required to implement until 2004.

Because of the new reporting model, comparative data for all facets of this report are not available. When comparative numbers are accessible, they have been included, such as with net assets. Future years' reports will have more comparative data that will allow more opportunities for comparative analysis.

The County's Net Assets
Figure 2

CARTERET COUNTY'S NET ASSETS

	2003		
	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 36,373,337	\$ 185,269	\$ 36,558,606
Capital assets	24,447,475	4,501,058	28,948,533
Total assets	60,820,812	4,686,327	65,507,139
Long-term liabilities outstanding	58,911,329	467,612	59,378,941
Other liabilities	4,743,226	196,945	4,940,171
Total liabilities	63,654,555	664,557	64,319,112
Net assets:			
Invested in capital assets, net of related debt	18,490,399	4,033,446	22,523,845
Restricted	1,904,375	-	1,904,375
Unrestricted	(23,228,517)	(11,676)	(23,240,193)
Total net assets (deficit)	\$ (2,833,743)	\$ 4,021,770	\$ 1,188,027

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the County exceeded liabilities by \$1,188,027 as of June 30, 2003. Net assets is reported in three categories: Invested in capital assets, net of related debt of \$22.5 million, Restricted net assets of \$1.9 million and Unrestricted net deficit \$(23.2) million.

The invested in capital assets, net of related debt category is defined as the County's investment in County owned capital assets (e.g., land, buildings, vehicles, office and other equipment, and water lines), less any related debt still outstanding that was issued to acquire those items. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The total for this category was \$22,523,845.

Another category of net assets is restricted net assets. This represents resources that are subject to external restrictions on how they may be used. Items in this category totaled \$1,904,375. The final category of net assets is unrestricted net assets (deficit). This balance may be used to meet the government's ongoing obligations to citizens and creditors. At June 30, 2003, the total unrestricted net deficit reported is \$(23,240,193).

As with many counties in the State of North Carolina, the County's deficit in unrestricted net assets is due primarily to the portion of the County's outstanding debt incurred for the Carteret County Board of Education (the "school system") and Carteret Community College. Under North Carolina law, the County is responsible for providing capital funding for the school system and Carteret Community College. The County has chosen to meet its legal obligation to provide the school system capital funding by using a mixture of County funds and general obligation debt. The assets funded by the County; however, are owned and utilized by the school system and Carteret Community College. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets. At the end of the fiscal year, approximately \$51.6 million of the outstanding debt on the County's financial statements was related to assets included in the school system's and Carteret Community College financial statements. However, since the majority of this school system and Carteret Community College related debt is general obligation debt, it is collateralized by the full faith, credit, and taxing power of the County. Accordingly, the County is authorized and required by State law to levy ad valorem taxes, without limit as to rate or amount, as may be necessary to pay the debt service on its general obligation bonds. Principal and interest requirements will be provided by an appropriation in the year in which they become due.

The decline in total net assets and the impact of the inclusion of the school system and community college debt without the corresponding assets was offset by the following positive operational initiatives and results:

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 96.54%.
- Continued low cost of debt due to the County's high bond rating.

**The County Changes in Net Assets
Figure 3**

CARTERET COUNTY'S CHANGES IN NET ASSETS

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 3,925,053	\$ 58,254	\$ 3,983,307
Operating grants and contributions	7,718,090	-	7,718,090
Capital grants and contributions	278,890	1,686,890	1,965,780
General revenues:			
Property taxes	34,170,397	-	34,170,397
Other taxes	15,433,798	-	15,433,798
Grants and contributions not restricted to specific programs	-	-	-
Other	1,306,794	418	1,307,212
Total revenues	62,833,022	1,745,562	64,578,584
Expenses:			
General government	4,734,358	-	4,734,358
Public safety	11,051,063	-	11,051,063
Transportation	641,203	-	641,203
Economic and physical development	3,861,247	-	3,861,247
Environmental protection	2,443,323	-	2,443,323
Human services	13,651,297	-	13,651,297
Cultural and recreation	2,056,136	-	2,056,136
Education	23,378,135	-	23,378,135
Interest on long-term debt	2,415,433	-	2,415,433
Water	-	145,753	145,753
Total expenses	64,232,195	145,753	64,377,948
Increase (Decrease) in net assets before transfers	(1,399,173)	1,599,809	200,636
Transfers	(48,000)	48,000	-
Increase (Decrease) in net assets	(1,447,173)	1,647,809	200,636
Net assets (deficit), July 1	(1,386,570)	2,373,961	987,391
Net assets (deficit), June 30	\$ (2,833,743)	\$ 4,021,770	\$ 1,188,027

Financial Analysis of the County's Funds

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

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

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$10,469,005, while total fund balance reached \$15,478,340. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 18.08 percent of total General Fund expenditures, while total fund balance represents 26.72 percent of that same amount.

At June 30, 2003, the governmental funds of the County reported a combined fund balance of \$28,973,857.

General Fund Budgetary Highlights:

During fiscal year 2003, the County's financial picture continued to improve even though uncertainty surrounded the State of North Carolina's budget situation. In October 2002, the State of North Carolina allowed counties the opportunity to implement an additional one-half cent sales tax to offset some of the funds held by the State. Carteret County implemented this additional sales tax in December 2002. It generated \$1,024,195. Management did not anticipate the State of North Carolina to allow counties to implement this tax, and thus is part of the increase in fund balance. This helped the County to increase its fund balance for the second consecutive year and finish the year in sound financial condition.

The County revised the budget on several occasions. Generally, budget amendments fall into one of four categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; 3) increases in appropriations that become necessary to maintain services; and for 4) to increase debt service for refunding existing debt. Total amendments to the General Fund increased revenues and expenditures by \$5,195,397 or 9.3%, and \$5,000,000 of the revisions were due to the debt refunding of the County's 1992 certificate of participation.

The actual operating revenues for the General Fund were more than the budgeted amount by \$878,716. The County's expenditures were less than the budgeted amount by \$2,202,937 and is mostly due to savings in debt service payments due to a debt refunding and Medicaid expenditures.

Proprietary Funds. The County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water Fund at the end of the fiscal year amounted to \$4,021,770. The primary factors affecting the finances of this fund were addressed in the discussion of the County's business-type activities.

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental and business-type activities as of June 30, 2003, totals \$28,948,533 (net of accumulated depreciation). These assets include buildings, automotive equipment, office and other equipment, and water plant and lines.

Major capital asset transactions during the year include:

- Completion of the Health Center renovation.
- Construction of a library in the western area of the County.
- Construction of the County's water plant and extension of water lines.
- Purchase of 4 Sheriff Department vehicles.

The County's Capital Assets

Figure 4

CARTERET COUNTY'S CAPITAL ASSETS (net of depreciation)

	Governmental Activities	Business-type Activities	Total
Land	\$ 3,057,082	\$ 52,500	\$ 3,109,582
Buildings	16,914,182	-	16,914,182
Water Lines	-	897,382	897,382
Vehicles	520,436	-	520,436
Equipment	470,497	24,889	495,386
Airport facilities	1,038,593	-	1,038,593
Other improvements	1,619,983	-	1,619,983
Construction in progress	826,702	3,526,287	4,352,989
Total	\$ 24,447,475	\$ 4,501,058	\$ 28,948,533

Additional information on the County's capital assets can be found in Note 5 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2003, the County had total bonded debt outstanding of \$31,050,000, all of which is debt backed by the full faith and credit of the County. All other debt is covered by pledged collateral and is subject to appropriation. A summary of total long-term debt is shown in Figure 5.

General Obligation, Certificates of Participation and Installment Notes Payable

Figure 5

	Governmental Activities 2003	Business-type Activities 2003	Total 2003
General obligation bonds	\$ 31,050,000	\$ -	\$ 31,050,000
Certificates of participation	24,285,000	-	24,285,000
Installment notes payable	3,073,143	467,612	3,540,755
Total long-term debt	\$ 58,408,143	\$ 467,612	\$ 58,875,755

The County's total debt increased by \$12,138,702 or 25.98% during the past fiscal year. The increase is due to the issuance of \$7.6 million of general obligation bonds for community college capital needs, and \$8.43 million certificate of participation for school system capital needs and the construction of a library. This increase was offset by the normal principal payments in each category of long-term debt.

The County's most recent bond ratings, received in connection with the general obligation issue in December 2002, are shown below:

Moody's Investor Services	Aa3
Standard & Poor's	A+
Fitch IBCA	AA-

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

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for The County is \$530,904,730.

Additional information regarding The County's long-term debt can be found in Note 9 on pages 62 – 68 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the County.

Budget Highlights for the Fiscal Year Ending June 30, 2004

Governmental Activities: The County has approved a \$57.038 million general fund budget for fiscal year 2003 which represents a \$3.09 million or 5.148% decrease over fiscal year 2003. The decrease is because the County refunded debt in fiscal year 2003. There is no ad valorem tax increase for the General Fund. Other revenues were budgeted conservatively and little growth was budgeted from the previous year. The FY 04 fund balance appropriation for the General Fund is \$659,590.

Education is the largest service area in terms of its portion of total expenditures, totaling \$19,077,285 or 28.33% of the FY 04 budget. This area includes funding for the public school system and the Carteret County Community College. Budgeted expenditures for education operating expenses increase \$85,000 which will increase the per pupil allocation to \$1,994. Capital improvements projects include \$700,000 for courthouse and administration building improvements, and the first year funding of \$125,000 for digital orthophoto mapping of the County.

Business – type Activities: The County has budgeted an increase in water rates to offset the cost of operating the water system. Due to the water line extension in the Laurel Road area, approximately 350 new customers are served. Approximately \$180,000 is budgeted in water charges in FY 04. The Board of Commissioners will be reviewing plans for water expansion in the 2004 year with construction beginning in FY 05. If approved, this expansion estimates 900 additional customers.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Carteret County, Courthouse Square, Beaufort, NC 28516.

BASIC FINANCIAL STATEMENTS

Government - Wide Financial Statements

Fund Financial Statements

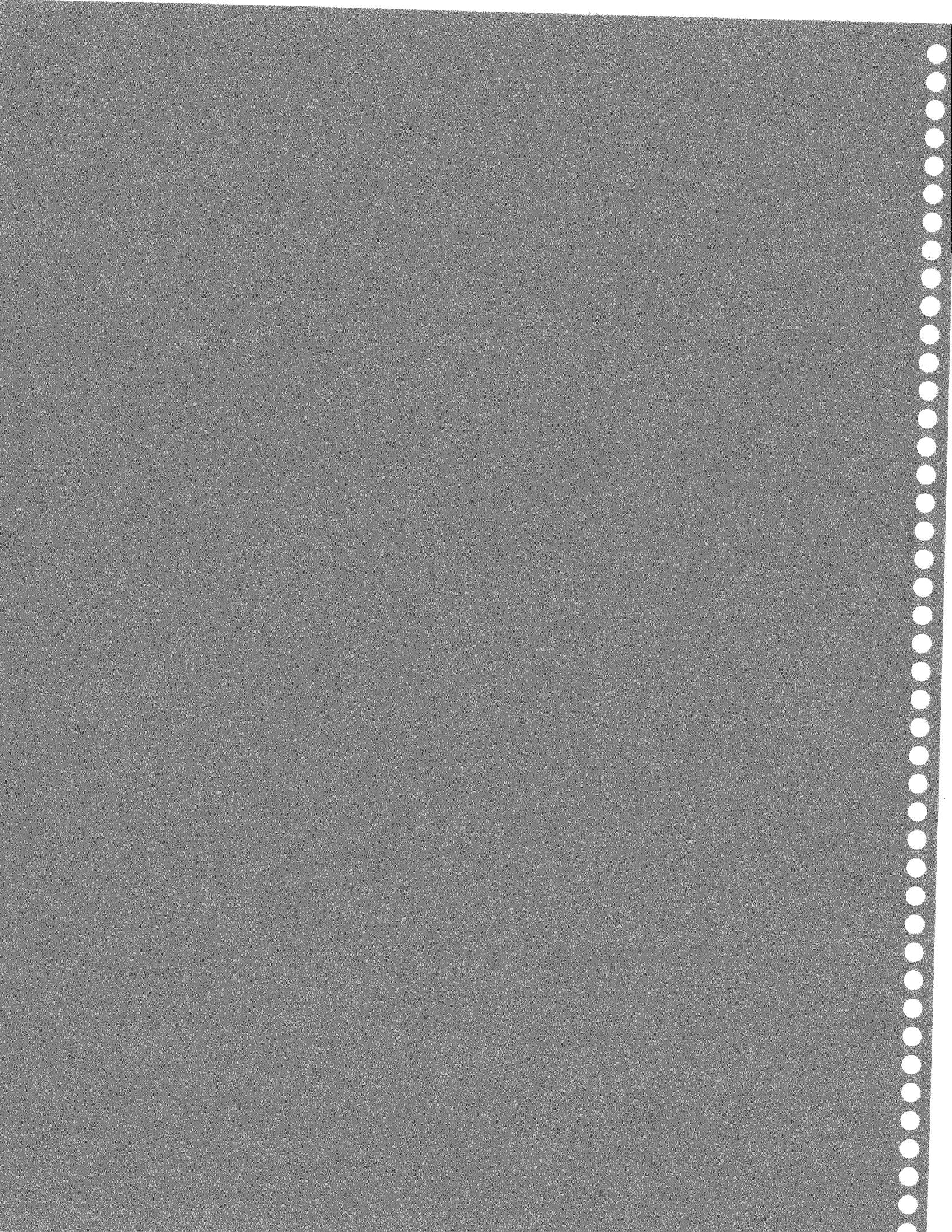
Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information



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Carteret County, North Carolina
Statement of Net Assets
June 30, 2003

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 15,501,795	\$ 88,615	\$ 15,590,410
Receivables (net)	7,171,367	96,654	7,268,021
Due from component unit	179,089	-	179,089
Inventories	-	-	-
Prepaid items	-	-	-
Restricted assets:			
Cash and investments	13,144,958	-	13,144,958
Deferred charges-issuance cost	376,128	-	376,128
Capital assets:			
Land, improvements, and construction in progress	3,883,784	3,578,787	7,462,571
Other capital assets, net of depreciation	20,563,691	922,271	21,485,962
Other assets	-	-	-
Total capital assets	24,447,475	4,501,058	28,948,533
Total assets	60,820,812	4,686,327	65,507,139
LIABILITIES			
Accounts payable and accrued expenses	4,206,610	196,945	4,403,555
Accrued interest payable	525,564	-	525,564
Due to primary government	-	-	-
Unearned revenue	11,052	-	11,052
Long-term liabilities:			
Due within one year	4,656,982	-	4,656,982
Due in more than one year	54,254,347	467,612	54,721,959
Total liabilities	63,654,555	664,557	64,319,112
NET ASSETS			
Invested in capital assets, net of related debt	18,490,399	4,033,446	22,523,845
Restricted for:			
Debt Service	107,643	-	107,643
Public Safety	499,249	-	499,249
Economic Development	533,555	-	533,555
Cultural and Recreation	58,047	-	58,047
Register of Deeds	132,889	-	132,889
Human Services	572,992	-	572,992
Other purposes	-	-	-
Unrestricted (deficit)	(23,228,517)	(11,676)	(23,240,193)
Total net assets	\$ (2,833,743)	\$ 4,021,770	\$ 1,188,027

See Notes to Financial Statements.

Component Units

Beaufort - Morehead City Airport Authority	Carteret County Tourism Development Authority	Carteret County Hospital Corporation	Carteret County ABC Board
\$ 78,996	\$ 931,777	\$ 23,071,177	\$ 865,963
27,153	308,483	12,055,490	148
-	-	-	-
-	8,010	1,443,296	613,785
2,562	-	307,647	1,633
-	-	8,681,630	-
-	-	-	-
-	-	2,498,302	-
159,651	163,209	23,679,571	663,992
-	-	3,891,932	-
159,651	163,209	30,069,805	663,992
268,362	1,411,479	75,629,045	2,145,521
30,456	21,320	10,917,285	476,127
-	-	-	-
63,685	-	-	115,404
-	-	-	-
-	-	1,022,893	22,823
-	14,504	6,049,426	62,736
94,141	35,824	17,989,604	677,090
95,966	163,209	-	578,433
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	316,493	529,594	-
78,255	895,953	57,109,847	889,998
\$ 174,221	\$ 1,375,655	\$ 57,639,441	\$ 1,468,431

Carteret County, North Carolina
Statement of Activities
For the Year Ended June 30, 2003

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 4,734,358	\$ 1,421,229	\$ -	\$ -
Public safety	11,051,063	588,953	641,546	-
Transportation	641,203	88,588	93,805	81,000
Economic and physical development	3,861,247	6,559	200,055	194,622
Environmental protection	2,443,323	1,257,955	102,789	-
Human services	13,651,297	307,258	6,548,733	9,796
Cultural and recreation	2,056,136	220,637	-	(6,528)
Education	23,378,135	-	131,162	-
Interest on long-term debt	2,415,433	33,874	-	-
Total governmental activities	64,232,195	3,925,053	7,718,090	278,890
Business-type activities:	145,753	58,254	-	1,686,890
Total primary government	\$ 64,377,948	\$ 3,983,307	\$ 7,718,090	\$ 1,965,780
Component units:				
Airport Authority	\$ 198,371	\$ 50,984	\$ 18,254	\$ -
Tourism Development Authority	1,591,372	1,672,430	100,000	-
Hospital	65,187,361	67,237,808	-	18,701
ABC Board	6,754,870	6,806,775	-	-
Total component units	\$ 73,731,974	\$ 75,767,997	\$ 118,254	\$ 18,701

General revenues:

- Taxes:
 - Property taxes, levied for general purpose
 - Local option sales tax
 - Other taxes and licenses
- Grants and contributions not restricted to specific programs
- Permits and fees
- Restricted intergovernmental
- Unrestricted intergovernmental
- Investment earnings, unrestricted
- Miscellaneous, unrestricted
- Special item -gain/loss on disposal of fixed assets
- Transfers
 - Total general revenues, special items, and transfers
 - Change in net assets
- Net assets-beginning
- Net assets-ending

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Assets			Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units			
Governmental Activities	Business-type Activities	Total	Beaufort - Morehead City Airport Authority	Carteret County Tourism Development Authority	Carteret County Hospital Corporation	Carteret County ABC Board
\$ (3,313,129)	\$ -	\$ (3,313,129)				
(9,820,564)	-	(9,820,564)				
(377,810)	-	(377,810)				
(3,460,011)	-	(3,460,011)				
(1,082,579)	-	(1,082,579)				
(6,785,510)	-	(6,785,510)				
(1,842,027)	-	(1,842,027)				
(23,246,973)	-	(23,246,973)				
(2,381,559)	-	(2,381,559)				
(52,310,162)	-	(52,310,162)				
-	-	-				
\$ (52,310,162)	\$ 1,599,391	\$ (50,710,771)				
			\$ (129,133)	\$ -	\$ -	\$ -
			-	181,183	-	-
			-	-	2,069,148	-
			-	-	-	51,905
			(129,133)	181,183	2,069,148	51,905
34,170,397	-	34,170,397	-	-	-	-
10,824,267	-	10,824,267	-	-	-	-
4,609,531	-	4,609,531	-	-	-	-
-	-	-	-	-	-	-
268,283	-	268,283	-	-	-	-
177,955	-	177,955	-	-	-	-
223,142	-	223,142	-	-	-	-
447,847	418	448,265	1,313	-	781,755	5,891
189,567	-	189,567	-	-	116,102	-
-	-	-	-	-	-	(1,750)
(48,000)	48,000	-	79,000	-	-	-
50,862,989	48,418	50,911,407	80,313	-	897,857	4,141
(1,447,173)	1,647,809	200,636	(48,820)	181,183	2,967,005	56,046
(1,386,570)	2,373,961	987,391	223,041	1,194,472	54,672,436	1,412,385
\$ (2,833,743)	\$ 4,021,770	\$ 1,188,027	\$ 174,221	\$ 1,375,655	\$ 57,639,441	\$ 1,468,431

CARTERET COUNTY, NORTH CAROLINA

COMBINED BALANCE SHEET - ALL GOVERNMENTAL FUND TYPES

June 30, 2003

	Governmental Fund Types				Total Governmental Funds
	Beaufort	Carteret	Other		
	General	Elementary School Project Fund	Community College Fund	Governmental Funds	
ASSETS					
Assets:					
Cash and investments	\$ 13,357,217	\$ 5,451,463	\$ 6,056,889	\$ 3,781,184	\$ 28,646,753
Receivables, net	5,276,991	-	-	1,184,179	6,461,170
Due from other funds	182,168	-	-	3,399	185,567
Due from component units	179,089	-	-	-	179,089
Total assets	\$ 18,995,465	\$ 5,451,463	\$ 6,056,889	\$ 4,968,762	\$ 35,472,579
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,645,329	\$ 1,329,745	\$ 334,253	\$ 897,283	\$ 4,206,610
Due to other funds	-	13,176	-	172,391	185,567
Unearned revenue	11,052	-	-	-	11,052
Deferred revenue	1,860,744	-	-	234,749	2,095,493
Total liabilities	3,517,125	1,342,921	334,253	1,304,423	6,498,722
Equity and other credit:					
Fund balances:					
Reserved for Register of Deeds	132,889	-	-	-	132,889
Reserved for Recreation Districts	58,047	-	-	-	58,047
Reserved for Beach Nourishment	502,684	-	-	-	502,684
Reserved by State statute	3,597,460	-	-	952,829	4,550,289
Reserved for Sheriff's fund	37,620	-	-	-	37,620
Reserved for health programs	572,992	-	-	-	572,992
Reserved for debt service	107,643	-	-	-	107,643
Unreserved:					
Designated for subsequent year's expenditures	659,590	4,108,542	5,722,636	1,865,023	12,355,791
Undesignated (deficit)	9,809,415	-	-	846,487	10,655,902
Total fund balance	15,478,340	4,108,542	5,722,636	3,664,339	28,973,857
Total liabilities and fund balance	\$ 18,995,465	\$ 5,451,463	\$ 6,056,889	\$ 4,968,762	\$ 35,472,579

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

Total fund balances for governmental funds	\$ 28,973,857
Capital assets used in governmental activities are financial resources and, therefore are not reported in the funds.	24,447,475
Liabilities for earned but deferred revenues not in the fund statements.	2,095,493
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are not available and therefore deferred in the fund statements.	710,198
Deferred charges for 2002 COPS Issuance cost	376,128
Net discounts on refunding	176,250
Accrued interest payable on long-term debt is not a current financial obligation and, therefore, is not in the funds.	(525,565)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(59,087,579)
Net assets of governmental activities.	<u>\$ (2,833,743)</u>

See Notes to Financial Statements.

CARTERET COUNTY, NORTH CAROLINA

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES,
ALL GOVERNMENTAL FUND TYPES
For the Year Ended June 30, 2003

	Governmental Fund Types				Total Governmental Funds
	Beaufort	Carteret	Other		
	General	Elementary School Project Fund	Community College Fund	Governmental Funds	
REVENUE					
Ad valorem taxes	\$ 31,439,684	\$ -	\$ -	\$ 3,416,579	\$ 34,856,263
Other taxes and licenses	10,952,029	-	-	4,630,872	15,582,901
Permits and fees	2,111,540	-	-	-	2,111,540
Intergovernmental	8,258,083	-	-	177,955	8,436,038
Sales and services	1,784,053	-	-	-	1,784,053
Interest	280,787	98,452	41,163	61,319	481,721
Miscellaneous	308,426	-	-	-	308,426
Total revenue	55,134,602	98,452	41,163	8,286,725	63,560,942
EXPENDITURES					
Current:					
General government	3,331,803	-	-	-	3,331,803
Public safety	5,769,201	-	-	4,759,522	10,528,723
Transportation	452,826	-	-	-	452,826
Environmental protection	2,434,842	-	-	-	2,434,842
Economic and physical development	1,038,264	-	-	2,951,463	3,989,727
Human services	13,551,316	-	-	-	13,551,316
Culture and recreation	2,029,285	-	-	-	2,029,285
Education	17,738,085	-	-	-	17,738,085
Capital outlay	-	3,224,917	1,918,527	2,391,854	7,535,298
Debt service:					
Principal retirement	8,558,910	-	-	-	8,558,910
Interest and fees	3,020,159	-	-	-	3,020,159
Total expenditures	57,924,691	3,224,917	1,918,527	10,102,839	73,170,974
Revenue over (under) expenditures	(2,790,089)	(3,126,465)	(1,877,364)	(1,816,114)	(9,610,032)
OTHER FINANCING SOURCES (USES)					
Long term debt issued	4,188,383	7,515,000	7,600,000	945,000	20,248,383
Transfers in	906,714	-	-	806,065	1,712,779
Transfers out	(802,000)	(279,993)	-	(678,786)	(1,760,779)
Total other financing sources (uses)	4,293,097	7,235,007	7,600,000	1,072,279	20,200,383
Net change in fund balance	1,503,008	4,108,542	5,722,636	(743,835)	10,590,351
FUND BALANCES, beginning	13,975,332	-	-	4,408,174	18,383,506
FUND BALANCES, ending	\$ 15,478,340	\$ 4,108,542	\$ 5,722,636	\$ 3,664,339	\$ 28,973,857

See Notes to Financial Statements.

Carteret County, North Carolina

Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance to the Statement of Activities of Governmental Funds
For the Year Ended June 30, 2003

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

Net changes in fund balances - total governmental funds \$ 10,590,351

Governmental funds report capital outlays as expenditures. However, in the Statement of
Activities the cost of those assets is allocated over their estimated useful lives and reported
as depreciation expense. This is the amount by which capital outlays exceeded
depreciation in the current period 898,892

Revenues in the statement of activities that do not provide current financial resources are
not reported as revenues in the funds (64,065)

The issuance of long-term debt provides current financial resources to governmental funds,
while the repayment of the principal of long-term debt consumes the current financial
resources of governmental funds. Neither transaction has any effect on net assets. Also,
governmental funds report the effect of issuance costs, premiums, discounts and similar
items when debt is first issued, whereas these amounts are deferred and amortized in the
statement of activities. This amount is the net effect of these differences in the treatment of
long-term debt and related items. (11,671,090)

Some expenses reported in the statement of activities do not require the use of current
financial resources and, therefore, are not reported as expenditures in governmental funds. (1,201,261)

Total changes in net assets of governmental activities \$ (1,447,173)

See Notes to Financial Statements.

CARTERET COUNTY, NORTH CAROLINA

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCES, BUDGET AND ACTUAL - MAJOR FUNDS
For the Year Ended June 30, 2003

	General Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUE				
Ad valorem taxes	\$ 30,897,635	\$ 31,174,635	\$ 31,439,684	\$ 265,049
Other taxes and licenses	10,503,500	10,910,092	10,952,029	41,937
Permits and fees	1,488,000	1,504,250	2,111,540	607,290
Intergovernmental	9,288,193	8,377,238	8,258,083	(119,155)
Sales and services	1,393,200	1,601,779	1,784,053	182,274
Interest	442,340	442,340	280,787	(161,553)
Miscellaneous	210,370	245,552	308,426	62,874
Total revenue	54,223,238	54,255,886	55,134,602	878,716
EXPENDITURES				
Current:				
General government	3,656,746	3,599,777	3,331,803	267,974
Public safety	5,580,159	5,838,392	5,769,201	69,191
Transportation	496,482	523,035	452,826	70,209
Environmental protection	3,334,811	2,463,612	2,434,842	28,770
Economic and physical development	1,281,128	1,293,476	1,038,264	255,212
Human services	12,911,220	14,098,896	13,551,316	547,580
Culture and recreation	2,221,520	2,233,072	2,029,285	203,787
Education	17,722,403	17,792,403	17,738,085	54,318
Debt service:				
Principal retirement	4,509,800	8,909,800	8,558,910	350,890
Interest and fees	3,654,865	3,375,165	3,020,159	355,006
Total expenditures	55,369,134	60,127,628	57,924,691	2,202,937
Revenue over (under) expenditures	(1,145,896)	(5,871,742)	(2,790,089)	3,081,653
OTHER FINANCING SOURCES (USES)				
Long term debt issued	-	4,170,000	4,188,383	18,383
Transfers in	1,455,396	1,330,396	906,714	(423,682)
Transfers out	(84,000)	(802,000)	(802,000)	-
Contingency reserves	(375,500)	(94,403)	-	94,403
Appropriated fund balance	150,000	1,267,749	-	(1,267,749)
Total other financing sources (uses)	1,145,896	5,871,742	4,293,097	(1,578,645)
Revenue and other financing sources over (under) expenditures and other uses	\$ -	\$ -	1,503,008	\$ 1,503,008
FUND BALANCES, beginning			13,975,332	
FUND BALANCES, ending			<u>\$ 15,478,340</u>	

See Notes to Financial Statements.

CARTERET COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS
 ENTERPRISE FUND
 June 30, 2003

	<u>Water Fund</u>
ASSETS	
Current Assets:	
Cash	\$ 88,615
Receivables, net	96,654
Total current assets	<u>185,269</u>
Noncurrent Assets:	
Capital assets:	
Land, improvements, and construction in progress	3,578,787
Other capital assets, net of depreciation	922,271
Total capital assets	<u>4,501,058</u>
Total noncurrent assets	<u>4,501,058</u>
Total assets	<u><u>4,686,327</u></u>
LIABILITIES	
Current liabilities:	
Current	
Accounts payable	188,290
Customer deposits	6,790
Accrued interest payable	1,865
Total current liabilities	<u>196,945</u>
Long-term installment loan payable	<u>467,612</u>
Total current and long term liabilities	<u><u>664,557</u></u>
NET ASSETS	
Invested in capital assets, net of related debt	4,033,446
Unrestricted (Deficit)	(11,676)
Total net assets	<u><u>\$ 4,021,770</u></u>

See Notes to Financial Statements.

CARTERET COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUND

For the Year Ended June 30, 2003

	<u>Water Fund</u>
OPERATING REVENUES	
Charges for services	\$ 58,254
Total operating revenues	<u>58,254</u>
OPERATING EXPENSES	
Water plant operations	79,968
Depreciation	63,209
Total operating expenses	<u>143,177</u>
Operating Loss	(84,923)
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	418
Revolving loan interest	(1,865)
Total nonoperating revenue (expenses)	<u>(1,447)</u>
Loss before capital contributions	<u>(86,370)</u>
Capital contributions	1,686,890
Income before operating transfers	<u>1,600,520</u>
Transfers:	
Transfers in	<u>48,000</u>
Net Income	1,648,520
Total net assets - beginning	2,373,250
Total net assets - ending	<u>\$ 4,021,770</u>

See Notes to Financial Statements.

CARTERET COUNTY, NORTH CAROLINA

STATEMENT OF CASH FLOWS
ENTERPRISE FUND

For the Year Ended June 30, 2003

	<u>Water Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 51,045
Cash paid for goods and services	(56,467)
Cash paid to employees for services	(7,828)
Customer deposits received	6,790
Net cash used in operating activities	<u>(6,460)</u>
Cash flows from noncapital financing:	
Transfers in	<u>48,000</u>
Cash flows from capital and related financing activities:	
Proceeds from installment loans	467,612
Acquisition and construction of capital assets	(2,783,995)
Sales tax refund	22,745
Capital contributions	2,088,099
Net cash used by capital and related financing activities	<u>(205,539)</u>
Cash flows from investing activities:	
Interest on investments	<u>418</u>
Net decrease in cash and cash equivalents	(163,581)
Cash and cash equivalents, July 1, 2002	252,196
Cash and cash equivalents, June 30, 2003	<u>\$ 88,615</u>

(Continued)

CARTERET COUNTY, NORTH CAROLINA

STATEMENT OF CASH FLOWS

ENTERPRISE FUND

For the Year Ended June 30, 2003

	<u>Water Fund</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (84,923)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	63,209
Changes in assets and liabilities:	
Increase in accounts receivable	(7,212)
Increase in accounts payable and accrued liabilities	15,676
Increase in customer deposits	6,790
Total adjustments	<u>78,463</u>
Total net cash used in operating activities	<u>\$ (6,460)</u>
Noncash capital activities:	
Transfer in of fixed assets from General Fund	<u>\$ 2,066,811</u>

See Notes to Financial Statements.

CARTERET COUNTY, NORTH CAROLINA

COMBINED STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2003

	Component Units	
	Carteret General Hospital Corporation	Carteret County ABC Board
Cash flows from operating activities:		
Cash flows from patients and third party payors	\$ 61,554,156	\$ -
Cash received from customers	-	6,806,775
Payments to employees for services	(33,430,924)	(867,256)
Payments to suppliers for goods and services	(23,522,567)	(5,419,362)
Other receipts from operations	1,123,427	-
Net cash provided by operating activities	5,724,092	520,157
Cash flows from noncapital financing activities:		
Other non-operating income	107,562	-
Restricted contributions	251,526	-
Law enforcement distributions	-	(49,285)
Profit distributions	-	(351,987)
Net cash provided by (used in) noncapital financing activities	359,088	(401,272)
Cash flows from capital and related financing activities:		
Purchases of property and equipment	(7,768,656)	(98,911)
Proceeds from issuance of notes payable	-	25,000
Loan repayments and capital lease obligations	(2,106,814)	(16,674)
Proceeds from disposal of property and equipment	10,000	1,350
Net cash used in capital and related financing activities	(9,865,470)	(89,235)
Cash flows from investing activities:		
Interest received	920,934	5,891
Purchase of intangible assets	(3,798,627)	-
Net change in assets limited as to use	9,276,111	-
Other Income (Expense)	-	(2,379)
Net cash provided by investing activities	6,398,418	3,512
Net increase in cash and cash equivalents	2,616,128	33,162
Cash and cash equivalents, beginning of year	20,455,049	832,801
Cash and cash equivalents, end of year	\$ 23,071,177	\$ 865,963

(Continued)

CARTERET COUNTY, NORTH CAROLINA

COMBINED STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)
For the Year Ended June 30, 2003

	Component Units	
	Carteret General Hospital Corporation	Carteret County ABC Board
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	\$ 2,050,447	\$ 557,011
Interest expense considered capital financing activity	77,426	-
operating activities:		
Depreciation and amortization expense	3,331,890	56,457
Provision for bad debts	3,795,022	-
Loss on disposal of equipment	21,585	-
Restricted contributions transferred to operation	(232,825)	-
Changes in assets and liabilities:		
Accounts receivable, net	(4,348,985)	534
Inventories	240,207	(26,783)
Prepaid expenses	(98,501)	-
Other assets	-	(76,722)
Accounts payable and accrued expenses	887,826	9,660
Total adjustments	3,596,219	(36,854)
Net cash provided by operating activities	\$ 5,724,092	\$ 520,157
Supplemental disclosures for cash flow information		
Cash paid for interest including amount capitalized	\$ 335,913	\$ -
Equity in income of joint venture	\$ 8,540	\$ -
Capital lease obligation and related expenses	\$ 2,076,733	\$ -

See Notes to Financial Statements.

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CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

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

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 (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. The "Corporation" was organized and shall be operated exclusively for the purpose of providing debt financing for the County, to fulfill various statutory obligations involving but not limited to, purchase and sale, construction and/or lease of real estate and improvements, facilities, and equipment. The Corporation has a three-member board of directors who are established through the bylaws of the Articles of Incorporation and will consist of the County Manager, Deputy Clerk to the Board, and Chair of the County Commissioners. The County has entered into Construction and Repayment Contracts with the corporation. The corporation's assets, fund balance, revenue and expenditures have been included in the County Capital Improvements Fund at June 30, 2003.

Summary of significant accounting policies:

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

Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the County's funds. Separate statements for each fund category – governmental, proprietary, and fiduciary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The County reports the following major governmental fund:

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

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

The County reports the following major enterprise fund:

Water Fund. This fund is used for the operations of the County's Water System.

Agency Fund. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: Social Services Trust Fund, which accounts for the moneys deposited within the Department of Social Services for the benefit of various clients; the Sheriff's Department Fund which accounts for the collection and distribution of assets in conjunction with the clerk of court for judgments and claims that have been assessed.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

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

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

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

Measurement Focus, Basis of Accounting

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

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds, which have no measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Component Units. 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.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions under capital leases are reported as other financing sources.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

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

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

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, 2003. 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 the fiscal year end apply to the fiscal year 2003-2004 and are not shown as receivables at June 30, 2003. 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, 2003 because they are intended to finance the County's operations during the 2004 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.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

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

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.

Implementation of new accounting principles:

Governmental Accounting Standards Board Statement No. 34

The County has implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and related standards. These new standards provide for significant changes in terminology and presentation and for the inclusion of Management's Discussion and Analysis as required supplementary information.

This statement affects the manner in which the County records transactions and presents financial information. State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The statement was developed to make annual reports of state and local governments easier to understand and more useful to the people who use governmental financial information to make decisions.

Management's Discussion and Analysis – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the County's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

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

Government-wide Financial Statements – The reporting model includes financial statements prepared using full accrual accounting for all of the County's activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Assets – The Statement of Net Assets is designed to display the financial position of the County (government and business-type activities). The County now reports all capital assets in the Government-wide Statement of Net Assets and reports depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net assets of the County are broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities – The Government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the County's functions. The expense of individual functions is compared to the revenue generated directly by the function.

Accordingly, the County has recorded capital and certain other long-term assets and liabilities in the Statement of Net Assets, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the Statement of Activities.

Governmental Accounting Standards Board Statement No. 36

The County adopted the provisions of GASB Statement No. 36, *Receipt Reporting for Certain Shared Non-exchange Revenues*. This statement amends GASB Statement No. 33 with respect to the manner in which shared non-exchange revenues are accounted for by recipient governments. Accordingly, the County considered the effects of this statement when adopting the provisions of GASB Statement No. 34.

Governmental Accounting Standards Board Statement No. 37

The County adopted the provisions of GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*. This statement amends GASB Statement No. 34 to either 1) clarify certain provisions or 2) modify other provisions that the GASB believes may have unintended consequences in some circumstances. Accordingly, the County considered the effects of this statement when adopting the provisions of GASB Statement No. 34, as previously described.

Governmental Accounting Standards Board Statement No. 38

The County adopted the provisions of GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. This statement modifies, establishes, and rescinds certain financial statement disclosure requirements. Accordingly, certain footnote disclosures have been revised to conform to the provisions of GASB Statement No. 38.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

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

Governmental Accounting Standards Board Interpretation No. 6

The County adopted the provisions of GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. This interpretation clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or could arise, in interpretation and practice. This interpretation impacts the fund level financial statements (governmental funds only, not proprietary or fiduciary funds) required by GASB Statement No. 34 but has no direct impact on the Government-wide Financial Statements. Accordingly, the County has not recognized the current portion of certain long-term liabilities and related expenditures in the Governmental Fund Financial Statements for amounts not considered to be due and payable as of June 30, 2003.

Budgets and Budgetary Accounting. An annual budget is adopted for the general fund, the special revenue funds (excluding 1997 Fran DRI Grant Fund, CDBG Laurel Road Fund and the 1998 Bonnie DRI Grant Fund), and the capital projects funds (excluding the Newport Middle COPS Fund, School Projects Fund, Health Center Renovations Fund, Beaufort Elementary School Project, Western Library Fund, and Carteret Community College 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.

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, 2003. 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 to exceed \$20,000. Transfers between departments that exceed \$20,000 or any transfers between funds require Board approval. For internal management purposes, the budgets are detailed by line item within each department and entered into the accounting records. Comparisons of actual expenditures to budget are made on an ongoing basis.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

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

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 Super NOW 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 non-guaranteed 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.

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.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

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

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

Levy Date	July 1, 2002
Due Date (lien date)	September 1, 2002
Past Due Date	January 6, 2003

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.

Capital Assets. Capital assets of the County are not capitalized in the governmental fund used to acquire or construct them. Instead, capital acquisitions and construction are reflected as expenditures in governmental funds, and capitalized and reported in the Government-wide Financial Statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Public domain or infrastructure fixed assets were not previously capitalized as these assets were considered immovable and of value only to the County. However, under GASB 34, public domain or infrastructure capital assets are required to be capitalized retroactively and presented in the Government-wide Financial Statements by June 30, 2008. Minimum capitalization costs are as follows: Buildings, improvements, and infrastructure \$50,000; furniture and equipment, \$5,000; and vehicles, \$10,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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. 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 capital 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.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

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

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. 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 government wide financial statements. 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

Amortization of Bond Issuance Costs and Intangible Capital Assets

Bond issuance costs incurred are amortized over the life of the related bond issue using the straight line method.

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

Compensated Absences. The vacation policies of the County, the Hospital, and the ABC Board provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds, the Airport, TDA, Hospital, and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The sick leave policies of the County, the Airport, TDA, Hospital, and the ABC Board provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, "Accounting for Compensated Absences", no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

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

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

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

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

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

Bond Discounts and Premiums. Bond discounts and premiums are deferred and amortized over the life of the bonds using the proportionate-to-stated-interest method. Long-term debt is reported net of the applicable bond premium or discount.

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

Net Assets/Fund Balances

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

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 for Beach Nourishment—represents amount reserved for beach nourishment.
- Reserved by State statute—portion of fund balance not available for appropriation after remaining reserves not available for appropriation have been segregated. This generally includes accounts receivable and amounts due from other funds, which are not offset by deferred revenues.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

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

- 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, 2003.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

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

Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$31,807,601 consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	\$ 38,908,121
Less accumulated depreciation	14,460,646
Net capital assets	<u>24,447,475</u>
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are not available and therefore deferred in the fund statements.	710,197
Deferred charges for 2002 COPS Issuance costs	376,128
Discount on refundings	176,250
Liabilities for revenue deferred but earned therefore recorded in the fund statements but not in the government-wide statements	2,095,493
Accrued interest is not due and payable in the current period and therefore is not reported in the funds.	(525,565)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Bonds, leases and installment financing	(58,408,143)
Compensated absences	(591,803)
Accrued net pension obligation	<u>(87,633)</u>
Total adjustment	<u><u>\$ (31,807,601)</u></u>

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$12,037,524 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 2,453,096
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(1,554,204)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statements	(20,230,000)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements	8,558,910
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(25,614)
Long-term net pension obligations are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(26,030)
Gain on advanced refunding	394,327
Discounts of COPS refunding	211,708
The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to increase net assets:	
Gain on Sale of Capital Assets	20,747
Proceeds from Sale	(62,801)
	(42,054)
Loss on transfer of assets to Enterprise Fund	(1,053,906)
	(1,095,960)
Amortization Expense	(53,657)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	
Reversal of deferred tax revenue recorded at 7/1/02	(3,061,870)
Recording of tax receipts deferred in the fund statements as of 6/30/03	2,095,493
Increase in accrued taxes receivable for year ended 6/30/03	280,511
Increase in accrued interest on taxes receivable for year ended 6/30/03	15,766
	15,766
Total adjustment	\$ (12,037,524)

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

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

Note 2. Stewardship, Compliance and Accountability

Deficits in Fund Balance of Individual Funds:

As of June 30, 2003, the Rescue Squad Fund and Fire District Fund had deficits in fund balance of \$9,076 and \$16, respectively. The County will transfer funds from the General Fund to rectify the deficits in fund balance.

Note 3. Cash and Investments

Cash on Hand:

The County had \$1,355 in petty cash on hand at June 30, 2003.

Component Unit Information

Carteret County General Hospital had \$2,460 in cash on hand at September 30, 2002.

Deposits:

All deposits of the County and its component units are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage are collateralized with securities held by the units' agents in the units' name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the units, these deposits are considered to be held by their agents in the entities' name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 3. Cash and Investments (Continued)

The State Treasurer does not confirm this information with the units or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the units under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At June 30, 2003, the County's deposits had a carrying amount of \$1,986,580 and a bank balance of \$2,413,083. Of the bank balance, \$400,000 was covered by federal depository insurance and \$2,013,083 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. In the Capital Projects Funds there was restricted cash of \$501,254 for the Health Center Renovation Project.

Component Unit Information

At June 30, 2003, the carrying amount of deposits for Tourism and Development Authority was \$179,450 and the bank balance was \$186,185. The bank balance of the Authority was fully covered by federal depository insurance.

At June 30, 2003, the carrying amount of deposits for Beaufort-Morehead City Airport Authority was \$78,996 and the bank balance was \$80,526. The bank balance of the Authority was fully covered by federal depository insurance.

At September 30, 2002, the carrying amount of the Hospital's deposits was \$31,752,807 and the bank balance was \$31,388,647. Of the bank balance, \$400,000 was covered by federal depository insurance and the remainder is collateralized by the Dedicated Method or under the Pooling Method.

At June 30, 2003, the carrying amount of deposits for Carteret County ABC Board was \$859,163 and the bank balance was \$916,235. 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 counter-party'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 counter-party, 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, 2003, the County had restricted investments of \$12,133,704. The General Fund had a restricted investment consisting of \$109,061 for an installment obligation on equipment. In the Capital Project Funds there are restricted investments of \$269,947 for the construction of the Newport Middle School, \$6,056,020 for the construction of additions to Carteret Community College, and \$5,698,676 for the construction of the Western Library and Beaufort Elementary School.

At June 30, 2003, the County's investment balances were categorized as to custodial risk as follows:

	Category			Reported Value	Fair Value
	A	B	C		
Government Agencies	\$ 5,507,500	\$ -	\$ -	\$ 5,702,834	\$ 5,702,834
North Carolina Capital Management Trust*				21,096,245	21,096,245
				26,799,079	26,799,079
Less:					
Restricted investments				12,133,704	12,133,704
Unrestricted investments				\$ 14,665,375	\$ 14,665,375

* 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)

Component Unit Information

At June 30, 2003 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	\$ 752,327	\$ 752,327

Note 4. Receivables

Receivables are comprised of the following major categories as of June 30, 2003:

	Accounts	Taxes and Related Accrued Interest	Due from Other Governments	Other	Total
Governmental Activities:					
General	\$ -	\$ 2,877,778	\$ 3,068,922	\$ 597,066	\$ 6,543,766
Other Governmental	616,743	393,240	262,350	70,337	1,342,670
Total receivables	616,743	3,271,018	3,331,272	667,403	7,886,436
Allowance for doubtful accounts	-	(715,069)	-	-	(715,069)
Total governmental activities	\$ 616,743	\$ 2,555,949	\$ 3,331,272	\$ 667,403	\$ 7,171,367
Business-type Activities					
Water	\$ 12,953	\$ -	\$ 83,701	\$ -	\$ 96,654
Total-business-type activities	\$ 12,953	\$ -	\$ 83,701	\$ -	\$ 96,654

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 4. Receivables (Continued)

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.

<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
1999	\$ 80,827	\$ 26,471	\$ 107,298
2000	185,827	44,135	229,962
2001	201,876	29,777	231,653
2002	180,948	10,405	191,353
Total	<u>\$ 649,478</u>	<u>\$ 110,788</u>	<u>\$ 760,266</u>

Component Unit Information

The Carteret General Hospital Corporation receivables are net of an allowance for doubtful accounts in the amount of \$4,990,000. Approximately 40% of the Hospital's revenue is from the Medicare and Medicaid programs

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

The following is a summary of changes in the Capital Assets during the fiscal year:

	Capital Assets July 1, 2002	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2003
Governmental Activities					
Capital assets, not being depreciated:					
Land, airport	\$ 169,549	\$ -	\$ -	\$ -	\$ 169,549
Land, other	2,752,855	134,678	-	-	2,887,533
Construction in progress	2,574,850	757,933	-	(2,506,081)	826,702
Total Capital Assets not being depreciated	5,497,254	892,611	-	(2,506,081)	3,883,784
Capital assets, being depreciated:					
Buildings	22,074,309	1,260,439	(202,688)	1,424,750	24,556,810
Vehicles	2,941,839	67,833	(86,018)	-	2,923,654
Equipment	2,750,660	70,993	-	-	2,821,653
Airport facilities	1,524,747	-	-	-	1,524,747
Other improvements	4,598,708	161,220	-	(1,562,455)	3,197,473
Total capital assets being depreciated	\$ 33,890,263	\$ 1,560,485	\$ (288,706)	\$ (137,705)	\$ 35,024,337
Less accumulated depreciation for:					
Buildings	7,020,945	730,346	(108,663)	-	7,642,628
Vehicles	2,024,020	423,162	(43,964)	-	2,403,218
Equipment	2,163,928	187,228	-	-	2,351,156
Airport Facilities	950,429	138,300	-	(602,575)	486,154
Other improvements	1,502,322	75,168	-	-	1,577,490
Total accumulated depreciation	\$ 13,661,644	\$ 1,554,204	\$ (152,627)	\$ (602,575)	\$ 14,460,646
Total capital assets, being depreciated, net	\$ 20,228,619	\$ 6,281	\$ (136,079)	\$ 464,870	\$ 20,563,691
Depreciation expenses was charged to functions/ programs of the primary government as follows:					
Governmental activities					
General government	\$ 333,135				
Public Safety	569,049				
Transportation	187,723				
Envirommental Protection	6,697				
Human Services	265,058				
Culture & Recreation	192,542				
Total Depreciation expense - governmental activities	\$ 1,554,204				
Business-type activites:					
Water Fund	\$ 63,209				
Total depreciation expense-business-type activities	\$ 63,209				

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Business-Type activities:					
Capital assets, not being depreciated:					
Land	\$ -	\$ 52,500			\$ 52,500
Construction in Progress	-	2,444,956		1,081,331	3,526,287
Total capital assets, not being depreciated	-	2,497,456	-	1,081,331	3,578,787
Capital assets, being depreciated:					
Equipment	-	25,600	-		25,600
Infrastructure	-	-	-	1,562,455	1,562,455
Total capital assets being depreciated	-	25,600	-	1,562,455	1,588,055
Less accumulated depreciation for:					
Equipment	-	711	-		711
Infrastructure	-	62,498	-	602,575	665,073
Total accumulated depreciation	-	63,209	-	602,575	665,784
Total capital assets being depreciated, net	-	2,459,847	-	2,041,211	4,501,058
Business-type activities capital assets, net	\$ -	\$ 2,459,847	\$ -	\$ 2,041,211	\$ 4,501,058

Construction commitments

The government has active construction projects as of June 30, 2003. The projects include the Western Library and the Hwy 101 Water Project. At year-end, the government's commitments with contractors are as follows:

Project	Spent-To-Date	Remaining Commitment
Western Library	\$ 599,162	\$ 82,898
Hwy 101 Water Project	3,061,217	275,529
	\$ 3,660,379	\$ 358,427

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

Component Unit Information

The following is a summary of the Hospital capital assets at September 30, 2002:

Land	\$ 304,636
Land improvements	1,089,037
Building improvements	18,316,029
Equipment	30,729,410
Construction in progress	1,104,629
	<u>51,543,741</u>
Less accumulated depreciation	25,365,868
	<u><u>\$ 26,177,873</u></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 capital assets at June 30, 2003:

Land	\$ 202,424
Buildings	450,641
Furniture and equipment	545,087
Leasehold improvements	144,927
Building improvements	158,316
	<u>1,501,395</u>
Less accumulated depreciation	837,403
	<u><u>\$ 663,992</u></u>

The following is a summary of the Beaufort – Morehead City Airport Authority capital assets at June 30, 2003:

Equipment	\$ 77,010
Hangers	140,000
Other improvements	4,395
	<u>221,405</u>
Less accumulated depreciation	161,854
	<u><u>\$ 59,551</u></u>

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

The following is a summary of the Carteret County Tourism and Development Authority capital assets at June 30, 2003:

Equipment	\$ 225,541
Less accumulated depreciation	(62,332)
	<u>\$ 163,209</u>

Note 6. Payables

Payables at the government-wide level at June 30, 2003, were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Other	Total
Governmental Activities:					
General	\$ 862,015	\$ 746,388	\$ -	\$ 36,926	\$ 1,645,329
Occupancy Tax Fund	136,092	-	-	308,487	444,579
Other Governmental	2,093,165	1,279	14,222	8,036	2,116,702
Total-governmental activities	<u>3,091,272</u>	<u>747,667</u>	<u>14,222</u>	<u>353,449</u>	<u>4,206,610</u>
Business-type Activities					
Water	182,504	5,786	1,865	6,790	196,945
Total-business-type activities	<u>\$ 182,504</u>	<u>\$ 5,786</u>	<u>\$ 1,865</u>	<u>\$ 6,790</u>	<u>\$ 196,945</u>

Note 7. Deferred /Unearned Revenues

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

	Deferred Revenue	Unearned Revenue
Prepaid taxes not yet earned (General)	\$ -	\$ 11,052
Taxes receivable, net (General)	1,611,002	-
Taxes receivable, net (Special Revenue)	234,749	-
Solid Waste Fees (General)	249,742	-
Total	<u>\$ 2,095,493</u>	<u>\$ 11,052</u>

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 8. 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, worker's compensation and employee health coverage. The Board also has liquor legal liability. There have been no significant reductions in insurance coverage from coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

The 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.

Note 9. Long-Term Obligations

Component Unit – Lease Commitments

Carteret General Hospital entered into capital lease obligations for certain medical equipment during the year ended September 30, 2002. The leases expire at various dates through May 2007. Also, the Hospital leases various facilities and equipment under operating leases expiring at various dates through June 2005. Total rental expense in 2002 for all operating leases was \$542,263.

The ABC Board has operating leases for three facilities in Carteret County and a copy machine located at the central office. The leases expire at varying times through June 30, 2004. The lease payment schedule for three noncancellable leases is \$40,835 for June 30, 2004.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 9. Long-Term Obligations (Continued)

General Obligation Bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of capital facilities for general government activities. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the County. Principal and interest requirements are provided by appropriation in the year in which they become due. The County general obligation bonds payable at June 30, 2003 are comprised of the following individual issues:

1995 public improvement, including \$2,000,000 for the construction of the Senior Citizens Center, \$8 million for computer upgrades and technology for the County schools and renovations. Due on May 1 in varying installment amounts through May 1, 2013; 5.3% through May 1, 2008, and 5.40% through May 1, 2013	\$ 6,800,000
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	16,650,000
2002 Carteret Community College additions due on August 1 and February 1 in varying installments through February 1, 2020; interest at varying rates ranging from 3% to 4.75%.	7,600,000
	<u>\$ 31,050,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30	Principal	Interest
2004	\$ 1,900,000	\$ 1,637,633
2005	1,900,000	1,487,200
2006	1,900,000	1,390,100
2007	1,900,000	1,293,000
2008	2,200,000	1,194,900
2009-2013	11,250,000	4,295,300
2014-2022	10,000,000	1,558,800
	<u>\$ 31,050,000</u>	<u>\$ 12,856,933</u>

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 9. Long-Term Obligations (Continued)

Certificates of Participation

The County issues Certificates of Participation to finance the construction of capital facilities used for general government activities.

2002 certificates of participation due on December 1 and June 1 in varying installments through June 1, 2022, interest at varying rates collateralized by the Western Library and the Beaufort Elementary School.	\$ 11,960,000
2000 certificates of participation due on June 1 in varying installments through June 1, 2020, interest at 5.52% collateralized by the Newport Middle School	<u>12,325,000</u>
	<u>\$ 24,285,000</u>

Annual debt service payments to maturity as of June 30, 2003 are as follows:

Year Ending June 30	Principal	Interest
2004	\$ 1,885,000	\$ 1,074,140
2005	1,855,000	1,009,978
2006	1,830,000	943,378
2007	1,800,000	879,866
2008	1,310,000	811,366
2009-2013	6,530,000	3,207,682
2014-2018	5,850,000	1,730,090
2019-2022	3,225,000	332,769
	<u>\$ 24,285,000</u>	<u>\$ 9,989,269</u>

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 9. Long-Term Obligations (Continued)

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

Governmental activities:

Purchase of equipment, provides for 5 consecutive annual installments of \$153,368 beginning fiscal year 2000, including interest at 4.39%. \$ 146,991

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% 226,152

Renovations of building purchased for health center for 10 consecutive annual installments, beginning in fiscal year 2002-2003, including interest at 4.510% 2,700,000

3,073,143

Business-type activities:

Construction of water treatment and distribution facilities for 19 consecutive annual installments, beginning in fiscal year 2003-2004, including interest at 2.6%. 467,612

\$ 3,540,755

Annual debt service requirements to maturity for general obligation bonds are as follows:

Years Ending June 30	Governmental activities		Business-type activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 556,571	\$ 142,537	\$ 22,543	\$ 10,265	\$ 579,114	\$ 152,802
2005	416,572	115,677	21,098	11,711	437,670	127,388
2006	300,000	94,710	21,653	11,156	321,653	105,866
2007	300,000	81,180	22,222	10,586	322,222	91,766
2008	300,000	67,650	22,807	10,001	322,807	77,651
2009-2013	1,200,000	135,300	123,359	40,682	1,323,359	175,982
2014-2018	-	-	140,466	23,576	140,466	23,576
2018-2021	-	-	93,464	4,961	93,464	4,961
	<u>\$ 3,073,143</u>	<u>\$ 637,054</u>	<u>\$ 467,612</u>	<u>\$ 122,938</u>	<u>\$ 3,540,755</u>	<u>\$ 759,992</u>

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 9. Long-Term Obligations (Continued)

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2003:

	Beginning Balance 06/30/02	Additions	Retirements	Ending Balance 06/30/03	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 25,150,000	\$ 7,600,000	\$ 1,700,000	\$ 31,050,000	\$ 1,900,000
Certificates of participation	16,625,000	12,630,000	4,970,000	24,285,000	1,885,000
Less deferred amounts:					
For issuance discounts	-	-	-	-	-
On refunding	-	(211,708)	(35,458)	(176,250)	-
Total bonds payable	41,775,000	20,018,292	6,634,542	55,158,750	3,785,000
Installment purchase obligations	4,962,053	-	1,888,910	3,073,143	556,571
Compensated absences	566,189	564,832	539,218	591,803	315,411
Separation allowance pension obligations	61,603	26,030	-	87,633	-
Governmental activity long-term liabilities	\$ 47,364,845	\$ 20,609,154	\$ 9,062,670	\$ 58,911,329	\$ 4,656,982
Business-type activities:					
Installment purchase obligations	\$ -	\$ 467,612	\$ -	\$ 467,612	\$ 21,098
Compensated absences	-	415	-	415	-
Business-type activity long-term liabilities	\$ -	\$ 468,027	\$ -	\$ 468,027	\$ 21,098

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, 2003 amounts to \$530,904,730.

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, 2003, the outstanding principal amount payable was \$9,000,000.

Current Refunding

On August 8, 2002, the County issued \$5,126,942 in certificates of participation with an interest rate of three percent (3%) for the refundings of the health center installation purchase and of the 1992 Certificates Of Participation. The proceeds from the Certificates were placed in an irrevocable trust for the purpose of generating resources for future debt service requirements. On February 1, 2003 all of the resources from the trust account were used to currently refund all of the principal and accrued interest of the old debt. The refundings were undertaken to reduce future total debt service payments.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 9. Long-Term Obligations (Continued)

The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$211,708. This amount is netted against the new debt and amortized as a component of interest expense over the remaining life of the old debt, which is shorter than the life of the new debt issued. The Certificate Of Participation issuance costs associated with the current refundings of \$160,071 are recorded as deferred charges on the Statement of Net Assets and are amortized over the remaining life of the old debt, which is shorter than the life of the new debt issued. The transaction also resulted in a net economic gain of \$303,998 and a reduction of \$1,348,519 in future debt service payments.

Component unit information:

The Hospital has a note payable with a bank, payable in consecutive equal annual payments of \$600,000 plus accrued interest at 4.51% due September 2011. The note is collateralized by a deed of trust on certain buildings. At September 30, 2002, the outstanding balance on the note was \$5,400,000.

Scheduled principal repayments are as follows:

<u>Year Ending September 30,</u>	
2003	\$ 600,000
2004	600,000
2005	600,000
2006	600,000
2007	600,000
Thereafter	2,400,000
	<u>\$ 5,400,000</u>

The Tourism and Development Authority had accrued compensated absences as a long-term debt at June 30, 2003 in the amount of \$14,504.

The ABC Board entered into a \$25,000 and \$90,000 installment loan payable agreement with a bank during the year ended June 30, 2003 and June 30, 2002, respectively. Monthly installments of \$417 and \$1,767 including interest at 0.0% and 6.5% per annum are due through July 2008 and August 2006, respectively. Essentially all of the assets of the ABC Board collateralize the installment loans payable.

Aggregate maturities of long-term debt are as follows:

<u>Years Ending June 30:</u>	
2004	\$ 22,823
2005	24,017
2006	25,291
2007	8,428
2008	5,000
	<u>\$ 85,559</u>

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 9. Long-Term Obligations (Continued)

The Beaufort-Morehead City Airport Authority entered into an installment purchase contract with Carteret County to finance the purchase of hangars. The contract requires monthly payments of \$1,220 each including interest at 5% per annum. The future minimum payments of the installment purchase as of June 30, 2003 including \$8,280 of interest are as follows:

<u>Years Ending June 30:</u>	<u>General Long-Term Debt</u>
2004	\$ 14,637
2005	14,637
2006	14,637
2007	14,637
2008	13,417
	<u>\$ 71,965</u>

Note 10. Retirement Systems

North Carolina Local Governmental Employees' Retirement System:

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The County and the ABC Board are required to contribute at an actuarially determined rate. For the County and the ABC Board, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.93% 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, 2003, 2002, and 2001 were \$464,908, \$475,013 and \$457,549, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2003, 2002, and 2001 were \$26,386, \$26,917 and \$27,030, respectively. The contribution made by the County and the ABC Board equaled the required contributions for each year.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 10. Retirement Systems (Continued)

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 contribute an amount equal to 7% of the employee's base salary at the end of each plan year. The Hospital's contributions for each employee (and plan earnings allocated to the employee's account) are fully vested after five years' continuous service. Hospital contributions for, and plan earnings forfeited by, employees who leave employment before five years of service are used to reduce the Hospital's current-period contribution requirement.

Contributions for years ended September 30, 2002 and 2001 totaled \$1,229,065 and \$1,320,205, respectively.

Carteret County Tourism Development Authority Retirement Plan:

The Authority has set up a simplified employee pension - Individual Retirement Account for each of its full-time employees who have worked eight months of the immediately preceding five years. The contribution is four percent of salary for qualifying employees. The Authority's payroll for employees covered by this plan for the fiscal year ended June 30, 2003 was \$143,825 and the contribution amount for the fiscal year ended June 30, 2003 was \$5,753.

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, 2003 the System's membership consisted of:

Retirees receiving benefits	\$	-
Terminated plan members entitled to but not yet receiving benefits		-
Active plan members		38
Total	\$	<u>38</u>

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

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 10. Retirement Systems (Continued)

2. *Summary of Significant Accounting Policies:*

Basis of Accounting. The County has chosen to fund the separation allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

3. *Contributions:*

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

The annual required contribution for the current year was determined as part of the December 31, 2002 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.

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	\$ 24,873
Interest on Net Pension Obligation	4,466
Adjustment to Annual Required Contribution	(3,309)
Annual Pension Cost	<u>26,030</u>
Employer Contributions made for fiscal year ended June 30, 2003	-
Increase in Net Pension Obligation	<u>26,030</u>
Net Pension Obligation, beginning of fiscal year	61,603
Net Pension Obligation, end of fiscal year	<u><u>\$ 87,633</u></u>

TREND INFORMATION

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.

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension 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
06/30/03	\$ 26,030	0.00%	\$ 87,633

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:

SCHEDULE OF FUNDING PROGRESS						
Actuarial Valuation Date	Actuarial value of assets (a)	Actuarial Accrued Liability (AAL)- Proj Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll for Year Ending on Valuation Date (c)	UAAL as a Percentage of Covered Payroll ((b-a) /c)
12/31/1997	-	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%
12/31/2002	-	153,701	153,701	0.00%	1,065,893	14.42%

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 \$63,645, which consisted of \$54,440 from the County and \$9,205 from law enforcement officers. Contributions from the ABC Board for June 30, 2003 consisted of \$1,520 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.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 10. Retirement Systems (Continued)

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, 2003 were \$601,200, which consisted of \$420,157 from the County and \$181,043 from the employees.

Registers of Deeds' Supplemental Pension Fund:

Plan Description. Carteret County also contributes to the Registers of Deeds' Supplemental Pension Fund ("Fund"), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any county register of deeds who is retired under the 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, 2003, the County's required and actual contributions were \$38,123.

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, 2003 the County made contributions to the State for death benefits of \$9,920. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .10% 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	\$ 2,980,219	\$ -
Medicaid	28,933,768	14,439,908
TANF and Work First	1,273,072	-
WIC	856,063	-
Special Assistance	-	369,684
Child Care Cluster	1,260,252	594,259
	<u>\$ 35,303,374</u>	<u>\$ 15,403,851</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, 2003. 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, 2003. 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, 2003. The County appropriated \$183,000 to the Center during the fiscal year ended June 30, 2003 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 \$1,336,609 to the Community College during the fiscal year ended June 30, 2003. 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, 2003. 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 \$202,151 for the year ended September 30, 2002, is accounted for under the equity method and is included in other assets in the statements of net assets. During 2002, the Hospital's share of the income is \$8,540 and is included in non-operating 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, 2003. During the year ended June 30, 2003, the County appropriated \$565,000 to the library in Carteret County.

Global Trans-Park Development Commission:

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

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 Trans-Park Authority. The voting members from each of the counties are appointed by the Board of County Commissioners of the respective counties.

The Commission is responsible for a nonexpendable trust fund consisting of an initial State appropriation of \$7.5 million and 85% of the quarterly distributions of the \$5 motor vehicle license fees collected by the North Carolina Department of Transportation. The motor vehicle tax was adopted by the legislature and the participating counties and will be collected for a period of five years. The principal balance of the trust funds are nonexpendable and will revolve as loans are made and repaid to the Commission. At June 30, 2003, the portion of the trust available to be loaned exclusively to Carteret County was \$1,705,420.

Note 15. Commitments and Contingencies

Litigation:

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

Federal and State Assisted Programs:

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

Component Unit Information

Claims alleging malpractice have been asserted against the Hospital and are currently in various stages of litigation. In addition, incidents occurring through September 30, 2002, 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, 2002, the amount of potential settlement cannot be reasonably estimated.

The Hospital is involved in two construction projects at September 30, 2002. This first project is substantially complete at September 30, 2002. The remaining construction is expected to be completed by December 2002. Total estimated cost of this project is \$6,000,000. At September 30, 2002 cost incurred totaled \$5,220,000. The second project is expected to be completed by January 2004. The total estimated cost of this project is \$6,700,000. At September 30, 2002 costs incurred totaled approximately \$300,000.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 16. Interfund Receivables and Payables

Due to/from other funds:

Receivable fund	Payable fund	Amount
General Fund	Occupancy Tax Fund	
	Occupancy Tax Revenue that was collected in July for the period ending June 30, 2003	\$ 168,992
	Beaufort Elementary School Fund	
	Amounts due to General Fund due to timing of draw down on the Beaufort Elementary School Project.	13,176
Salter Path Fund	Occupancy Tax Fund	
	Occupancy Tax Revenue that was collected in July for the period ending June 30, 2003	3,399
		<u>\$ 185,567</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	
	Loan amount due to Carteret County from component unit.	\$ 115,404
	Carteret County ABC Board	
	Net income distribution due to County at June 30, 2003	63,685
		<u>\$ 179,089</u>

Note 17. Interfund Transfers

Transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended are recorded as operating transfers, and are reported as other financing sources (uses) in the Governmental funds and nonoperating revenues (expenses) in the Enterprise fund. Transfers within fund types have been eliminated.

CARTERET COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 17. Interfund Transfers (Continued)

Interfund transfers for the year ended June 30, 2003 are as follows:

<u>Transfers out:</u>	Transfers In:				Total
	Major General	Major Water Fund	Non-Major Special Revenue Funds	Non-Major Capital Project Funds	
Major General Fund	\$ -	\$ 48,000	\$ 84,000	\$ 670,000	\$ 802,000
Major Beaufort Elementary School Fund	279,993	-	-	-	279,993
Non-Major Special Revenue Funds	594,927	-	-	-	594,927
Non-Major Capital Project Funds	31,794	-	-	-	31,794
Total Transfers Out	\$ 906,714	\$ 48,000	\$ 84,000	\$ 670,000	\$ 1,708,714

Transfers consist primarily of the following:

\$ 802,000	Transfer from General Fund for various current and future capital projects and to supplement other funding sources in the special revenue, capital projects and enterprise funds.
\$ 279,993	Transfer from Beaufort Elementary School to General Fund for the purpose of proceeds for debt service payments.
\$ 594,927	Transfer from Non-Major Special Revenue Funds to General Fund for the purpose of proceeds fro debt service payments.
\$ 31,794	Transfer from Non-Major Capital Project Funds to General Fund for the prupose of proceeds fro debt service payments.

Component Units:

Operating Transfers out:

From General Fund to:

Beaufort-Morehead City Airport Authority \$ 79,000

Operating Transfers out:

From Occupancy Room Tax Fund to:

Carteret County Tourism Development Authority 1,651,828

\$ 1,730,828

Operating Transfers In:

From ABC Board to:

General Fund \$ 228,675

\$ 228,675

Note 18. Subsequent Event

On July 14, 2003, the Board of Commissioners voted to repeal the Carteret County Room Occupancy tax effective June 30, 2004. The County Commissioners repealed this tax due to concerns associated primarily with the portion of the bill that establishes protocols for the Carteret County Tourism Development Authority, and is currently working to resolve these concerns. The County Commissioners have indicated that the room occupancy tax could be reinstated prior to June 30, 2004 if these concerns can be resolved.

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MAJOR FUNDS SUMMARY

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**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, 2003**

(Page 1 of 9)

	Budget	Actual	Variance Positive (Negative)
REVENUE			
Ad valorem taxes:			
Current period	\$ 29,895,635	\$ 29,898,714	\$ 3,079
Prior years	1,068,000	1,223,876	155,876
Interest and penalties	211,000	317,094	106,094
	<u>31,174,635</u>	<u>31,439,684</u>	<u>265,049</u>
Other taxes and licenses:			
White goods disposal tax	-	35,387	35,387
ABC local bottle tax	19,000	24,973	5,973
Local option sales tax	10,829,427	10,824,267	(5,160)
Scrap tire disposal tax	61,665	67,402	5,737
	<u>10,910,092</u>	<u>10,952,029</u>	<u>41,937</u>
Permits and fees:			
Building permits and inspections fees	285,000	325,018	40,018
Sheriff fees	35,000	48,439	13,439
Register of deeds	905,000	1,366,775	461,775
Privilege licenses	13,000	14,954	1,954
Franchise fees	180,000	255,749	75,749
Other fees	86,250	100,605	14,355
	<u>1,504,250</u>	<u>2,111,540</u>	<u>607,290</u>
Intergovernmental:			
Restricted:			
Federal and State grants	7,698,238	7,336,066	(362,172)
Court facilities fees	235,000	224,823	(10,177)
TDA Tourism	150,000	145,000	(5,000)
Unrestricted:			
Payments in lieu of taxes	-	804	804
Inventory tax reimbursements	-	-	-
Beer and wine tax	-	146,352	146,352
Sales and gas tax refunds	50,000	70,266	20,266
ABC profits	174,000	228,675	54,675
ABC profits	70,000	106,097	36,097
Croatan National Forest			
	<u>8,377,238</u>	<u>8,258,083</u>	<u>(119,155)</u>
Sales and services:			
Mapping	2,000	1,915	(85)
Solid waste	1,115,000	1,257,955	142,955
Civic center fees	105,000	98,739	(6,261)
Other	379,779	425,444	45,665
	<u>1,601,779</u>	<u>1,784,053</u>	<u>182,274</u>
Interest	442,340	280,787	(161,553)
Miscellaneous:			
Proceeds from sale of fixed assets	22,000	1,710	(20,290)
Other	223,552	306,716	83,164
	<u>245,552</u>	<u>308,426</u>	<u>62,874</u>
Total revenue	<u>54,255,886</u>	<u>55,134,602</u>	<u>878,716</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, 2003

(Page 2 of 9)

	Budget	Actual	Variance Positive (Negative)
EXPENDITURES			
General government:			
Governing body:			
Salaries and employee benefits	\$ 52,200	\$ 56,634	\$ (4,434)
Operating expenses	132,162	124,883	7,279
Professional services	170,800	170,350	450
	<u>355,162</u>	<u>351,867</u>	<u>3,295</u>
Administration:			
Salaries and employee benefits	109,779	95,411	14,368
Operating expenses	96,060	82,596	13,464
	<u>205,839</u>	<u>178,007</u>	<u>27,832</u>
Information systems:			
Salaries and employee benefits	104,355	97,469	6,886
Operating expenses	186,215	130,933	55,282
	<u>290,570</u>	<u>228,402</u>	<u>62,168</u>
Finance:			
Salaries and employee benefits	302,743	302,260	483
Operating expenses	52,700	39,257	13,443
	<u>355,443</u>	<u>341,517</u>	<u>13,926</u>
Human resources			
Salaries and employee benefits	8,475	7,128	1,347
Operating expenses	7,225	5,373	1,852
	<u>15,700</u>	<u>12,501</u>	<u>3,199</u>
Taxes:			
Salaries and employee benefits	591,796	580,062	11,734
Operating expenses	109,335	94,361	14,974
Contract services	90,000	96,407	(6,407)
	<u>791,131</u>	<u>770,830</u>	<u>20,301</u>
Revaluation:			
Salaries and employee benefits	121,396	108,831	12,565
Operating expenses	32,000	6,403	25,597
	<u>153,396</u>	<u>115,234</u>	<u>38,162</u>
Legal:			
Professional services	53,000	23,179	29,821
Court facilities:			
Operating expenses	32,283	31,377	906
Contract services	1,800	1,780	20
	<u>34,083</u>	<u>33,157</u>	<u>926</u>
Elections:			
Salaries and employee benefits	122,255	119,162	3,093
Operating expenses	118,517	103,551	14,966
	<u>240,772</u>	<u>222,713</u>	<u>18,059</u>
Register of deeds:			
Salaries and employee benefits	224,108	228,187	(4,079)
Operating expenses	200,065	204,176	(4,111)
Capital outlay	12,000	-	12,000
	<u>436,173</u>	<u>432,363</u>	<u>3,810</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, 2003

(Page 3 of 9)

	Budget	Actual	Variance Positive (Negative)
Public buildings:			
Salaries and employee benefits	\$ 173,578	\$ 164,294	\$ 9,284
Operating expenses	494,930	457,739	37,191
	<u>668,508</u>	<u>622,033</u>	<u>46,475</u>
Total general government	<u>3,599,777</u>	<u>3,331,803</u>	<u>267,974</u>
Public safety:			
Sheriff:			
Salaries and employee benefits	1,663,467	1,649,488	13,979
Operating expenses	382,640	389,943	(7,303)
Contract services	500	747	(247)
Capital outlay	25,369	24,694	675
	<u>2,071,976</u>	<u>2,064,872</u>	<u>7,104</u>
Communications:			
Salaries and employee benefits	302,408	299,920	2,488
Operating expenses	47,208	44,837	2,371
	<u>349,616</u>	<u>344,757</u>	<u>4,859</u>
Sheriff - Jail division:			
Salaries and employee benefits	962,382	978,690	(16,308)
Operating expenses	474,797	466,642	8,155
Contract services	198,000	189,259	8,741
	<u>1,635,179</u>	<u>1,634,591</u>	<u>588</u>
Sheriff - Teen court			
Salaries and employee benefits	42,240	37,718	4,522
Operating expenses	3,360	3,203	157
	<u>45,600</u>	<u>40,921</u>	<u>4,679</u>
Emergency medical service:			
Salaries and employee benefits	55,792	55,582	210
Operating expenses	13,650	11,179	2,471
Contract services	14,000	14,000	-
	<u>83,442</u>	<u>80,761</u>	<u>2,681</u>
Paramedic operations:			
Salaries and employee benefits	355,802	340,955	14,847
Operating expenses	94,150	93,142	1,008
	<u>449,952</u>	<u>434,097</u>	<u>15,855</u>
Emergency management:			
Salaries and employee benefits	29,785	28,912	873
Operating expenses	19,827	15,441	4,386
Capital outlay	11,950	11,950	-
Contract services	5,000	5,000	-
	<u>66,562</u>	<u>61,303</u>	<u>5,259</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, 2003**

(Page 4 of 9)

	Budget	Actual	Variance Positive (Negative)
Rape crisis program:			
Salaries and employee benefits	\$ 122,808	\$ 121,904	\$ 904
Operating expenses	20,200	20,157	43
Contract services	16,900	17,573	(673)
	<u>159,908</u>	<u>159,634</u>	<u>274</u>
Domestic violence program:			
Operating expenses	118,050	108,720	9,330
Fire Marshall:			
Salaries and employee benefits	44,267	40,602	3,665
Operating expenses	11,598	8,750	2,848
	<u>55,865</u>	<u>49,352</u>	<u>6,513</u>
Central permit:			
Salaries and employee benefits	264,865	260,349	4,516
Operating expenses	44,335	42,174	2,161
	<u>309,200</u>	<u>302,523</u>	<u>6,677</u>
Medical examiner:			
Professional services	49,800	49,750	50
Animal control:			
Salaries and employee benefits	166,142	169,405	(3,263)
Operating expenses	277,100	268,515	8,585
	<u>443,242</u>	<u>437,920</u>	<u>5,322</u>
Total public safety	<u>5,838,392</u>	<u>5,769,201</u>	<u>69,191</u>
Transportation:			
Harbors:			
Operating expenses	53,900	29,748	24,152
Beaufort-Morehead City Airport Authority	79,500	79,000	500
CCATS:			
Salaries and employee benefits	77,007	58,107	18,900
Operating expenses	311,578	285,218	26,360
Contract services	1,000	753	247
Capital outlay	50	-	50
	<u>389,635</u>	<u>344,078</u>	<u>45,557</u>
Total transportation	<u>523,035</u>	<u>452,826</u>	<u>70,209</u>
Environmental protection:			
Forest fire control	84,270	73,442	10,828
Landfill closure	6,000	5,100	900
Tri-County solid waste collections	2,045,915	2,045,891	24

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, 2003

(Page 5 of 9)

	Budget	Actual	Variance Positive (Negative)
Soil conservation:			
Salaries and employee benefits	\$ 60,659	\$ 60,422	\$ 237
Operating expenses	12,530	10,330	2,200
	<u>73,189</u>	<u>70,752</u>	<u>2,437</u>
Public works:			
Salaries and employee benefits	187,138	183,784	3,354
Operating expenses	62,600	55,123	7,477
Contract services	4,500	750	3,750
	<u>254,238</u>	<u>239,657</u>	<u>14,581</u>
Total environmental protection	2,463,612	2,434,842	28,770
Economic and physical development:			
Special appropriations:			
Economic Development Council	155,400	155,384	16
Contribution to Morehead City	10,000	10,000	-
Port committee	2,500	2,500	-
	<u>167,900</u>	<u>167,884</u>	<u>16</u>
Beach nourishment			
Salaries and employee benefits	53,360	53,379	(19)
Operating expenses	561,489	344,060	217,429
Contract services	137,000	132,384	4,616
	<u>751,849</u>	<u>529,823</u>	<u>222,026</u>
Planning and zoning:			
Salaries and employee benefits	157,691	145,294	12,397
Operating expenses	11,715	11,854	(139)
	<u>169,406</u>	<u>157,148</u>	<u>12,258</u>
Engineering:			
Contract services	2,750	2,750	-
Agricultural extension:			
Salaries and employee benefits	656	2,435	(1,779)
Operating expenses	200,915	178,224	22,691
	<u>201,571</u>	<u>180,659</u>	<u>20,912</u>
Total economic and physical development	1,293,476	1,038,264	255,212

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, 2003**

(Page 6 of 9)

	Budget	Actual	Variance Positive (Negative)
Human Services:			
State smart start grant:			
Salaries and fringe benefits	\$ -	\$ 142	\$ (142)
Operating supplies	8,066	6,021	2,045
Contract services	36,635	25,608	11,027
	<u>44,701</u>	<u>31,771</u>	<u>12,930</u>
Smart start parents:			
Salaries and employee benefits	-	677	(677)
Operating expenses	6,724	603	6,121
Contract services	59,595	6,378	53,217
	<u>66,319</u>	<u>7,658</u>	<u>58,661</u>
Health center:			
Salaries and employee benefits	725,671	735,303	(9,632)
Operating expenses	219,090	198,583	20,507
Capital outlay	5,977	16,808	(10,831)
	<u>950,738</u>	<u>950,694</u>	<u>44</u>
Health promotion:			
Salaries and employee benefits	69,190	55,472	13,718
Operating expenses	17,300	18,107	(807)
	<u>86,490</u>	<u>73,579</u>	<u>12,911</u>
Clinical services, cancer, glaucoma, diabetes:			
Salaries and employee benefits	34,470	31,235	3,235
Operating expenses	15,700	9,364	6,336
	<u>50,170</u>	<u>40,599</u>	<u>9,571</u>
Tuberculosis control program:			
Salaries and employee benefits	74,867	66,582	8,285
Operating expenses	1,375	911	464
	<u>76,242</u>	<u>67,493</u>	<u>8,749</u>
Kidney:			
Salaries and employee benefits	10,361	10,251	110
Operating expenses	1,538	1,375	163
	<u>11,899</u>	<u>11,626</u>	<u>273</u>
Women, infants, and children:			
Administration:			
Salaries and employee benefits	141,656	137,483	4,173
Operating expenses	10,761	9,236	1,525
	<u>152,417</u>	<u>146,719</u>	<u>5,698</u>
Nutrition:			
Salaries and employee benefits	33,304	33,498	(194)
Operating expenses	700	130	570
	<u>34,004</u>	<u>33,628</u>	<u>376</u>
Child care coordination:			
Salaries and employee benefits	220,653	189,250	31,403
Operating expenses	32,000	58,790	(26,790)
Capital outlay	30,000	-	30,000
	<u>282,653</u>	<u>248,040</u>	<u>34,613</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, 2003**

(Page 7 of 9)

	Budget	Actual	Variance Positive (Negative)
Maternal adult and child health:			
Salaries and employee benefits	\$ 364,015	\$ 314,035	\$ 49,980
Operating expenses	113,239	107,369	5,870
	<u>477,254</u>	<u>421,404</u>	<u>55,850</u>
Environmental Health:			
Salaries and employee benefits	711,320	708,286	3,034
Operating expenses	72,120	72,316	(196)
	<u>783,440</u>	<u>780,602</u>	<u>2,838</u>
Mental health:			
Mental health center and other	201,000	201,000	-
Mental health, ABC	18,000	18,000	-
	<u>219,000</u>	<u>219,000</u>	<u>-</u>
DSS Administration:			
Salaries and employee benefits	3,347,700	3,335,534	12,166
Operating expenses	494,031	431,100	62,931
Professional services	30,000	65,751	(35,751)
	<u>3,871,731</u>	<u>3,832,385</u>	<u>39,346</u>
General assistance:			
Boarding home	77,540	77,502	38
Clothing and medical expense	47,900	44,811	3,089
Special children adoption	43,000	42,377	623
Miscellaneous	19,000	19,615	(615)
	<u>187,440</u>	<u>184,305</u>	<u>3,135</u>
TANF Block grant:			
TANF Block grant	240,000	159,481	80,519
Operating expenses	105,000	53,604	51,396
	<u>345,000</u>	<u>213,085</u>	<u>131,915</u>
DSS special assistance	<u>5,274,629</u>	<u>5,183,398</u>	<u>91,231</u>
Special projects	<u>228,445</u>	<u>219,629</u>	<u>8,816</u>
Other human services	<u>385,800</u>	<u>332,433</u>	<u>53,367</u>
CBA juvenile restitution program:			
Salaries and employee benefits	33,045	32,155	890
Operating expenses	8,634	7,446	1,188
Contract services	6,164	4,092	2,072
	<u>47,843</u>	<u>43,693</u>	<u>4,150</u>
Senior Center Operation:			
Salaries and employee benefits	131,779	125,546	6,233
Operating expenses	37,975	38,291	(316)
Contract services	120,420	126,124	(5,704)
	<u>290,174</u>	<u>289,961</u>	<u>213</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, 2003

(Page 8 of 9)

	Budget	Actual	Variance Positive (Negative)
Title V grant:			
Salaries and employee benefits	\$ 48,074	\$ 47,856	\$ 218
Contract services	51	-	51
	<u>48,125</u>	<u>47,856</u>	<u>269</u>
Title III F grant:			
Salaries and employee benefits	7,677	7,843	(166)
Operating expenses	19,868	8,911	10,957
	<u>27,545</u>	<u>16,754</u>	<u>10,791</u>
Veteran services:			
Salaries and employee benefits	128,469	128,254	215
Operating expenses	27,567	25,977	1,590
Contract services	801	773	28
	<u>156,837</u>	<u>155,004</u>	<u>1,833</u>
Total human services	<u>14,098,896</u>	<u>13,551,316</u>	<u>547,580</u>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	303,611	286,851	16,760
Operating expenses	231,402	168,745	62,657
Contract services	47,245	34,776	12,469
	<u>582,258</u>	<u>490,372</u>	<u>91,886</u>
Parks and recreation maintenance:			
Salaries and employee benefits	273,544	258,684	14,860
Operating expenses	130,896	114,333	16,563
Contract services	24,044	14,807	9,237
Capital outlay	180,000	161,220	18,780
	<u>608,484</u>	<u>549,044</u>	<u>59,440</u>
Senior center:			
Salaries and employee benefits	100,356	90,223	10,133
Operating expenses	56,395	62,822	(6,427)
Contract services	2,700	2,273	427
Capital outlay	48,302	-	48,302
	<u>207,753</u>	<u>155,318</u>	<u>52,435</u>
Civic center:			
Salaries and employee benefits	150,515	149,865	650
Operating expenses	117,468	118,008	(540)
Contract services	1,594	1,678	(84)
	<u>269,577</u>	<u>269,551</u>	<u>26</u>
Carteret County Library:			
Appropriations to Tri-County Library	565,000	565,000	-
Total culture and recreation	<u>2,233,072</u>	<u>2,029,285</u>	<u>203,787</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, 2003

(Page 9 of 9)

	Budget	Actual	Variance Positive (Negative)
Education:			
Public schools, current expense	\$ 16,452,403	\$ 16,401,577	\$ 50,826
Community college, current expense	1,220,000	1,220,000	-
Community college, capital outlay	120,000	116,508	3,492
Total education	<u>17,792,403</u>	<u>17,738,085</u>	<u>54,318</u>
Debt service:			
Principal retirement	8,909,800	8,558,910	350,890
Interest and fees	3,375,165	3,020,159	355,006
Total debt service	<u>12,284,965</u>	<u>11,579,069</u>	<u>705,896</u>
Total expenditures	<u>60,127,628</u>	<u>57,924,691</u>	<u>2,202,937</u>
Revenue over (under) expenditures	<u>(5,871,742)</u>	<u>(2,790,089)</u>	<u>3,081,653</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out):			
From Carteret County Bond Fund	385,000	-	(385,000)
From Occupancy Tax Fund	455,146	569,927	114,781
From E-911 Fund	25,000	25,000	-
From School Bond Fund	465,250	311,582	(153,668)
From Newport Middle School COPS Fund	-	205	205
To Water Fund	(48,000)	(48,000)	-
To Capital Improvements Fund	(670,000)	(670,000)	-
To Rescue Squad Fund	(16,000)	(16,000)	-
To Fire District Fund	(23,000)	(23,000)	-
To CDBG Laurel Road Fund	(45,000)	(45,000)	-
Long term debt issued	4,170,000	4,188,383	18,383
Contingency reserves	(94,403)	-	94,403
Appropriated fund balance	1,267,749	-	(1,267,749)
Total other financing sources	<u>5,871,742</u>	<u>4,293,097</u>	<u>(1,578,645)</u>
Revenue and other sources over expenditures and other uses	<u>\$ -</u>	<u>1,503,008</u>	<u>\$ 1,503,008</u>
FUND BALANCE, beginning		13,975,332	
FUND BALANCE, ending		<u>\$ 15,478,340</u>	

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CARTERET COUNTY, NORTH CAROLINA
 BEAUFORT ELEMENTARY SCHOOL PROJECT

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE,
 BUDGET AND ACTUAL
 From Inception and For the Fiscal Year Ended June 30, 2003

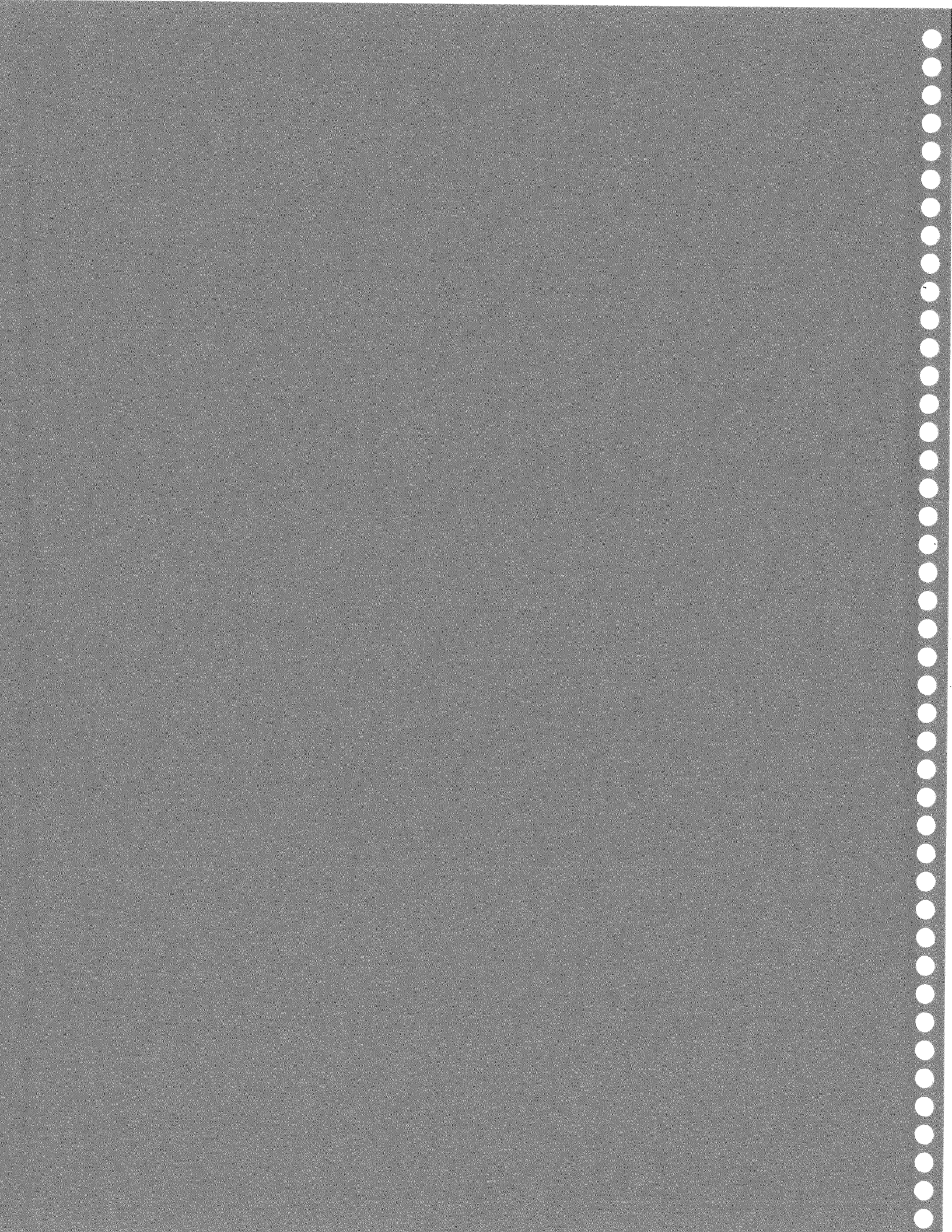
	Total Project Estimate	Actual		Total To Date
		Prior Years	Current Year	
REVENUE				
Interest	\$ 85,000	\$ -	\$ 98,452	\$ 98,452
EXPENDITURES				
Capital outlay:				
Beaufort Elementary School Construction	7,348,500	-	3,224,917	3,224,917
Revenue over (under) expenditures	(7,263,500)	-	(3,126,465)	(3,126,465)
OTHER FINANCING SOURCES (USES)				
Transfers out	(251,500)	-	(279,993)	(279,993)
Proceeds from Certificate of Participation bonds	7,515,000	-	7,515,000	7,515,000
Total financing sources (uses)	7,263,500	-	7,235,007	7,235,007
Revenue and other financing sources over (under) expenditures	\$ -	\$ -	4,108,542	\$ 4,108,542
FUND BALANCE, beginning			-	
FUND BALANCE, ending			\$ 4,108,542	

CARTERET COUNTY, NORTH CAROLINA
 CARTERET COMMUNITY COLLEGE FUND

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE,
 BUDGET AND ACTUAL
 From Inception and For the Fiscal Year Ended June 30, 2003

	Total Project Estimate	Actual		Total To Date
		Prior Years	Current Year	
REVENUE				
Interest	\$ -	\$ -	\$ 41,163	\$ 41,163
EXPENDITURES				
Capital outlay:				
Carteret Community College Construction	7,600,000	-	1,918,527	1,918,527
Revenue over (under) expenditures	(7,600,000)	-	(1,877,364)	(1,877,364)
OTHER FINANCING SOURCES (USES)				
Long term debt issued	7,600,000	-	7,600,000	7,600,000
Total financing sources (uses)	7,600,000	-	7,600,000	7,600,000
Revenue and other financing sources over (under) expenditures	\$ -	\$ -	5,722,636	\$ 5,722,636
FUND BALANCE, beginning			-	
FUND BALANCE, ending			\$ 5,722,636	

SUPPLEMENTAL
FINANCIAL DATA



SUMMARY OF NONMAJOR FUNDS

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CARTERET COUNTY, NORTH CAROLINA

COMBINED BALANCE SHEET - NONMAJOR FUND TYPES

June 30, 2003

	Government Fund Types		
	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS			
Assets:			
Cash and investments	\$ 574,476	\$ 3,206,708	\$ 3,781,184
Receivables, net	1,138,494	45,685	1,184,179
Due from other funds	3,399	-	3,399
Total assets	\$ 1,716,369	\$ 3,252,393	\$ 4,968,762
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 816,729	\$ 80,554	\$ 897,283
Due to other funds	172,391	-	172,391
Deferred revenue	234,749	-	234,749
Total liabilities	1,223,869	80,554	1,304,423
Fund balances:			
Reserved by State statute	907,144	45,685	952,829
Unreserved:			
Designated for subsequent year's expenditures	136,529	1,728,494	1,865,023
Undesignated (deficit)	(551,173)	1,397,660	846,487
Total fund balance	492,500	3,171,839	3,664,339
Total liabilities and fund balance	\$ 1,716,369	\$ 3,252,393	\$ 4,968,762

CARTERET COUNTY, NORTH CAROLINA

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES,
 NONMAJOR GOVERNMENTAL FUND TYPES
 For the Fiscal Year Ended June 30, 2003

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUE			
Ad valorem taxes	\$ 3,416,579	\$ -	\$ 3,416,579
Other taxes and licenses	4,630,872	-	4,630,872
Intergovernmental	149,622	28,333	177,955
Interest	16,502	44,817	61,319
Total revenue	<u>8,213,575</u>	<u>73,150</u>	<u>8,286,725</u>
EXPENDITURES			
Current:			
Public safety	4,759,522	-	4,759,522
Economic and physical development	2,951,463	-	2,951,463
Capital outlay	-	2,391,854	2,391,854
Total expenditures	<u>7,710,985</u>	<u>2,391,854</u>	<u>10,102,839</u>
Revenue over (under) expenditures	502,590	(2,318,704)	(1,816,114)
OTHER FINANCING SOURCES (USES)			
Long term debt issued	-	945,000	945,000
Transfers in	111,000	695,065	806,065
Transfers out	(621,927)	(56,859)	(678,786)
Total other financing sources (uses)	<u>(510,927)</u>	<u>1,583,206</u>	<u>1,072,279</u>
Net change in fund balance	(8,337)	(735,498)	(743,835)
FUND BALANCES, beginning	500,837	3,907,337	4,408,174
FUND BALANCES, ending	<u>\$ 492,500</u>	<u>\$ 3,171,839</u>	<u>\$ 3,664,339</u>

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NONMAJOR SPECIAL REVENUE FUNDS

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

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CARTERET COUNTY, NORTH CAROLINA
NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

June 30, 2003

	Rescue Squad Fund	Fire District Fund	Emergency 911 Fund	Occupancy Tax Fund
ASSETS				
Cash and investments	\$ 25,667	\$ 64,309	\$ 448,782	\$ 227
Receivables:				
Property taxes receivable	92,356	142,393	-	-
Due from other funds	-	-	-	-
Accounts receivable	98,463	162,157	24,651	616,743
Total assets	\$ 216,486	\$ 368,859	\$ 473,433	\$ 616,970
LIABILITIES AND EQUITY (DEFICIT)				
Liabilities:				
Accounts payable	\$ 133,206	\$ 226,482	\$ 2,712	\$ 444,579
Due to other funds	-	-	-	172,391
Deferred revenue	92,356	142,393	-	-
Total liabilities	225,562	368,875	2,712	616,970
Equity (Deficit):				
Reserved by State statute	98,463	162,157	24,651	616,743
Unreserved:				
Designated for subsequent year's expenditures	-	-	107,000	-
Undesignated	(107,539)	(162,173)	339,070	(616,743)
Total equity (deficit)	(9,076)	(16)	470,721	-
Total liabilities and equity	\$ 216,486	\$ 368,859	\$ 473,433	\$ 616,970

Salter Path District Fund	CDBG 2001 Laurel Road Fund	DRI Grant Bonnie 1998 Fund	Totals
\$ 23,212	\$ 12,036	\$ 243	\$ 574,476
-	-	-	234,749
3,399	-	-	3,399
1,731	-	-	903,745
<u>\$ 28,342</u>	<u>\$ 12,036</u>	<u>\$ 243</u>	<u>\$ 1,716,369</u>
\$ -	\$ 9,750	\$ -	\$ 816,729
-	-	-	172,391
-	-	-	234,749
-	9,750	-	1,223,869
5,130	-	-	907,144
27,000	2,286	243	136,529
(3,788)	-	-	(551,173)
<u>28,342</u>	<u>2,286</u>	<u>243</u>	<u>492,500</u>
<u>\$ 28,342</u>	<u>\$ 12,036</u>	<u>\$ 243</u>	<u>\$ 1,716,369</u>

CARTERET COUNTY, NORTH CAROLINA
NONMAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICIT)

For the Fiscal Year Ended June 30, 2003

	Rescue Squad Fund	Fire District Fund	Emergency 911 Fund	Occupancy Tax Fund	Salter Path District Fund
REVENUES					
Ad valorem taxes	\$ 1,355,762	\$ 2,036,695	\$ -	\$ -	\$ 24,122
Other taxes and licenses	375,359	618,176	308,904	3,328,433	-
Intergovernmental	-	-	-	-	-
Interest	143	1,872	7,182	7,116	189
Total revenue	1,731,264	2,656,743	316,086	3,335,549	24,311
EXPENDITURES					
Public safety	1,746,121	2,679,743	333,658	-	-
Economic and physical development	-	-	-	2,738,845	20,525
Total expenditures	1,746,121	2,679,743	333,658	2,738,845	20,525
Revenue over (under) expenditures	(14,857)	(23,000)	(17,572)	596,704	3,786
OTHER FINANCING SOURCES (USES)					
Transfers in	16,000	23,000	-	-	27,000
Transfers out	-	-	(25,000)	(596,927)	-
Total other financing sources (uses)	16,000	23,000	(25,000)	(596,927)	27,000
Revenue and other financing sources over (under) expenditures and other financing uses	1,143	-	(42,572)	(223)	30,786
FUND BALANCES (DEFICIT), beginning	(10,219)	(16)	513,293	223	(2,444)
FUND BALANCES (DEFICIT), ending	\$ (9,076)	\$ (16)	\$ 470,721	\$ -	\$ 28,342

CDBG 2001

Laurel Road Fund	DRI Grant 1998 Bonnie Fund	Totals
\$ -	\$ -	\$ 3,416,579
-	-	4,630,872
25,037	124,585	149,622
-	-	16,502
25,037	124,585	8,213,575
-	-	4,759,522
67,751	124,342	2,951,463
67,751	124,342	7,710,985
(42,714)	243	502,590
45,000	-	111,000
-	-	(621,927)
45,000	-	(510,927)
2,286	243	(8,337)
-	-	500,837
\$ 2,286	\$ 243	\$ 492,500

CARTERET COUNTY, NORTH CAROLINA
 RESCUE SQUAD FUND

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

For the Fiscal Year Ended June 30, 2003

	Budget	Actual	Variance Positive (Negative)
REVENUE			
Ad valorem taxes	\$ 1,361,079	\$ 1,355,762	\$ (5,317)
Other taxes and licenses:			
Local option sales tax	378,695	375,359	(3,336)
Interest	1,000	143	(857)
Total revenue	<u>1,740,774</u>	<u>1,731,264</u>	<u>(9,510)</u>
EXPENDITURES			
Public safety:			
County allocation	16,000	15,000	1,000
Beaufort	396,300	397,592	(1,292)
Broad and Gales Creek	96,730	94,596	2,134
Cape Carteret	325,000	324,502	498
Sea Level	253,745	251,038	2,707
Mitchell Village	130,000	128,947	1,053
Otway	141,442	141,561	(119)
Mill Creek	17,862	17,526	336
Local sales tax and inventory reimbursement	379,695	375,359	4,336
Total expenditures	<u>1,756,774</u>	<u>1,746,121</u>	<u>10,653</u>
Revenue over (under) expenditures	<u>(16,000)</u>	<u>(14,857)</u>	<u>1,143</u>
OTHER FINANCING SOURCES (USES)			
Transfer 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>1,143</u>	<u>\$ 1,143</u>
FUND BALANCE, beginning		<u>(10,219)</u>	
FUND BALANCE, ending		<u>\$ (9,076)</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, 2003

	Budget	Actual	Variance Positive (Negative)
REVENUE			
Ad valorem taxes	\$ 2,039,719	\$ 2,036,695	\$ (3,024)
Other taxes and licenses:			
Local option sales tax	623,755	618,176	(5,579)
Interest	2,000	1,872	(128)
Total revenue	<u>2,665,474</u>	<u>2,656,743</u>	<u>(8,731)</u>
EXPENDITURES			
Public safety:			
Fire Districts:			
County allocations	23,000	23,000	-
Atlantic	30,165	29,804	361
Broad and Gales Creek	112,128	111,790	338
Mill Creek	18,600	18,560	40
Newport	173,790	174,092	(302)
Atlantic Beach	300	138	162
Mitchell Village, Crab Point	257,800	258,382	(582)
Davis	47,000	46,052	948
Harlowe	32,400	32,044	356
Marshallberg	82,001	81,855	146
Cape Carteret	398,200	397,065	1,135
Otway	50,200	50,002	198
Wildwood	252,730	252,604	126
Salter Path	103,510	103,368	142
North River	18,616	18,288	328
Beaufort	192,249	193,316	(1,067)
Stacy	15,600	15,470	130
Stella	38,000	38,650	(650)
Sea Level	29,500	29,034	466
Cedar Island	23,300	23,220	80
South River	67,100	67,355	(255)
Harkers Island	96,530	95,606	924
Operating expenses	2,000	1,872	128
Local sales tax and inventory reimbursements	623,755	618,176	5,579
Total expenditures	<u>2,688,474</u>	<u>2,679,743</u>	<u>8,731</u>
Revenue (under) over expenditures	<u>(23,000)</u>	<u>(23,000)</u>	<u>-</u>
OTHER FINANCING SOURCES			
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, 2003

	Budget	Actual	Variance Positive (Negative)
REVENUE			
Other taxes and licenses:			
Emergency 911 wireless assessment	\$ 50,000	\$ 109,484	\$ 59,484
Emergency 911 telephone assessment	235,000	199,420	(35,580)
Interest	5,000	7,182	2,182
Total revenue	<u>290,000</u>	<u>316,086</u>	<u>26,086</u>
EXPENDITURES			
Public safety:			
Salaries and fringe benefits	32,023	32,965	(942)
Operating expenses	205,950	179,002	26,948
Contracted services	60,000	62,647	(2,647)
Capital outlay	168,000	59,044	108,956
Total expenditures	<u>465,973</u>	<u>333,658</u>	<u>132,315</u>
Revenue (under) over expenditures	<u>(175,973)</u>	<u>(17,572)</u>	<u>158,401</u>
OTHER FINANCING SOURCES			
Transfer out	(25,000)	(25,000)	-
Fund balance appropriated	200,973	-	(200,973)
	<u>175,973</u>	<u>(25,000)</u>	<u>(200,973)</u>
Revenue and other financing sources over (under) expenditures	<u>\$ -</u>	<u>(42,572)</u>	<u>\$ (42,572)</u>
FUND BALANCE, beginning		<u>513,293</u>	
FUND BALANCE, ending		<u>\$ 470,721</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, 2003

	Total Project Estimate	Actual		Total To Date
		Prior Years	Current Year	
REVENUE				
Intergovernmental:				
Federal and State Grants	\$ 600,000	\$ 600,000	\$ -	\$ 600,000
Total	600,000	600,000	-	600,000
EXPENDITURES				
Economic & Physical Development:				
C - 1 Relocation	492,000	522,735	-	522,735
C - 1 Clearance	-	30,760	-	30,760
C - 1 Administration	108,000	46,505	-	46,505
Total	600,000	600,000	-	600,000
Revenues over (under) expenditures	\$ -	\$ -	-	\$ -
Fund balance, beginning			-	
Fund balance, ending			\$ -	

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, 2003

	Budget	Actual	Variance Positive (Negative)
REVENUE			
Other taxes and licenses:			
Occupancy taxes	\$ 3,444,394	\$ 3,316,059	\$ (128,335)
Occupancy taxes, penalties and interest	20,000	12,374	(7,626)
Interest	1,000	7,116	6,116
Total revenue	<u>3,465,394</u>	<u>3,335,549</u>	<u>(129,845)</u>
EXPENDITURES			
Economic and physical development:			
Tourism:			
Morehead	63,484	63,484	-
Atlantic Beach	100,000	100,000	-
Pine Knoll Shores	225,000	225,000	-
Indian Beach	108,000	108,000	-
Emerald Isle	540,000	540,000	-
Cape Carteret	7,859	7,859	-
Beaufort	22,429	22,429	-
Newport	11,476	11,476	-
Cedar Point	1,127	1,127	-
Bogue	287	287	-
Peletier	239	239	-
Tourism Development Authority	1,718,122	1,651,828	66,294
Operating expenses	1,000	7,116	(6,116)
Total expenditures	<u>2,799,023</u>	<u>2,738,845</u>	<u>60,178</u>
Revenue (under) over expenditures	<u>666,371</u>	<u>596,704</u>	<u>(69,667)</u>
OTHER FINANCING SOURCES			
Transfers out	<u>(666,371)</u>	<u>(596,927)</u>	<u>(69,444)</u>
Revenue and other financing sources over (under) expenditures	<u>\$ -</u>	<u>(223)</u>	<u>\$ (223)</u>
FUND BALANCE, beginning		<u>223</u>	
FUND BALANCE, ending		<u>\$ -</u>	

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, 2003

	Budget	Actual	Variance Positive (Negative)
REVENUE			
Ad valorem taxes	\$ 20,525	\$ 24,122	\$ 3,597
Interest	-	189	189
Total revenue	20,525	24,311	3,786
EXPENDITURES			
Economic and physical development:			
Contribution to Indian Beach	20,525	20,525	-
Total expenditures	20,525	20,525	-
Revenue over (under) expenditures		3,786	3,786
OTHER FINANCING SOURCES			
Transfer from Occupancy fund	27,000	27,000	-
Appropriated fund balance	(27,000)	-	(27,000)
	-	27,000	(27,000)
Revenue and other financing sources over (under) expenditures	\$ -	30,786	\$ 30,786
FUND BALANCE, beginning		(2,444)	
FUND BALANCE, ending		\$ 28,342	

CARTERET COUNTY, NORTH CAROLINA
 CDBG 2001 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, 2003

	Total Project Estimate	Prior Years	Actual Current Year	Total To Date
REVENUE				
Intergovernmental:				
Community Development Block Grant	\$ 700,000	\$ 17,296	\$ 25,037	\$ 42,333
EXPENDITURES				
Economic & Physical Development:				
Clearance	32,800	-	13,750	13,750
Acquisition	12,200	-	9,542	9,542
Relocation	374,000	-	4,086	4,086
Rehabilitation	162,000	-	3,885	3,885
Water Improvements	105,000	-	690	690
Administration	59,000	17,296	35,798	53,094
Total	745,000	17,296	67,751	85,047
Revenues over (under) expenditures	(45,000)	-	(42,714)	\$ (42,714)
OTHER FINANCING SOURCES				
Transfer from general fund	45,000	-	45,000	45,000
Revenue and other financing sources over (under) expenditures	\$ -		2,286	\$ 2,286
Fund balance, beginning			-	
Fund balance, ending			\$ 2,286	

CARTERET COUNTY, NORTH CAROLINA
 DRI GRANT 1998 BONNIE FUND

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

From Inception and For the Fiscal Year Ended June 30, 2003

	Total Project Estimate	Actual		Total To Date
		Prior Years	Current Year	
REVENUE				
Intergovernmental:				
Federal and State Grants	\$ 600,000	\$ 475,415	\$ 124,585	\$ 600,000
Total	600,000	475,415	124,585	600,000
EXPENDITURES				
Economic & Physical Development:				
C - 1 Clearance	10,000	8,490	-	8,490
C - 1 Relocation	535,000	433,277	110,290	543,567
C - 1 Administration	55,000	33,648	14,052	47,700
Total	600,000	475,415	124,342	599,757
Revenues over (under) Expenditures	\$ -	\$ -	243	\$ 243
Fund balance, beginning			-	
Fund balance, ending			\$ 243	

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NONMAJOR CAPITAL PROJECTS FUNDS

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

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CARTERET COUNTY, NORTH CAROLINA
NONMAJOR CAPITAL PROJECTS FUND

COMBINING BALANCE SHEET
June 30, 2003

	County Capital Reserve Fund	County Capital Improvements Fund	Newport Middle School COPS Fund
ASSETS			
Cash and investments	\$ 424,513	\$ 1,239,856	\$ 354,437
Accounts receivable	-	-	-
Total assets	\$ 424,513	\$ 1,239,856	\$ 354,437
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ 13,977	\$ 3
Due to other funds	-	-	-
Total liabilities	-	13,977	3
Fund Balances:			
Reserved by state statute	-	-	-
Unreserved:			
Designated for subsequent expenditures	-	400,000	354,434
Undesignated	424,513	825,879	-
Total fund balances	424,513	1,225,879	354,434
Total liabilities and fund balances	\$ 424,513	\$ 1,239,856	\$ 354,437

School Special Projects Fund	Health Center Renovations Fund	Western Library Fund	Totals
\$ 287,268	\$ 511,050	\$ 389,584	\$ 3,206,708
45,685	-	-	45,685
<u>\$ 332,953</u>	<u>\$ 511,050</u>	<u>\$ 389,584</u>	<u>\$ 3,252,393</u>

\$ -	\$ -	\$ 66,574	\$ 80,554
-	-	-	-
-	-	66,574	80,554

45,685	-	-	45,685
140,000	511,050	323,010	1,728,494
147,268	-	-	1,397,660
<u>332,953</u>	<u>511,050</u>	<u>323,010</u>	<u>3,171,839</u>
<u>\$ 332,953</u>	<u>\$ 511,050</u>	<u>\$ 389,584</u>	<u>\$ 3,252,393</u>

CARTERET COUNTY, NORTH CAROLINA
NONMAJOR CAPITAL PROJECTS FUND

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
For the Fiscal year Ended June 30, 2003

	County Capital Reserve Fund	County Capital Improvements Fund	Newport Middle School COPS Fund	School Projects Fund
REVENUE				
Intergovernmental	\$ -	\$ 972	\$ -	\$ 25,065
Interest	6,298	12,324	2,450	-
Total revenue	6,298	13,296	2,450	25,065
EXPENDITURES				
Capital outlay	-	83,286	(40,423)	-
Revenue over (under) expenditures	6,298	(69,990)	42,873	25,065
OTHER FINANCING SOURCES (USES)				
Long term debt issued	-	-	-	-
Transfers in	-	670,000	-	-
Transfers out	-	-	(205)	(25,065)
Total other financing sources (uses)	-	670,000	(205)	(25,065)
Revenue and other financing sources under expenditures and other financing uses	6,298	600,010	42,668	-
FUND BALANCES, beginning	418,215	625,869	311,766	-
FUND BALANCES, ending	\$ 424,513	\$ 1,225,879	\$ 354,434	\$ -

School Special Project Fund	Health Center Renovations Fund	Western Library Fund	Totals
\$ -	\$ 9,796	\$ (7,500)	\$ 28,333
6,231	12,802	4,712	44,817
6,231	22,598	(2,788)	73,150
537,029	1,085,618	726,344	2,391,854
(530,798)	(1,063,020)	(729,132)	(2,318,704)
-	-	945,000	945,000
25,065	-	-	695,065
-	-	(31,589)	(56,859)
25,065	-	913,411	1,583,206
(505,733)	(1,063,020)	184,279	(735,498)
838,686	1,574,070	138,731	3,907,337
\$ 332,953	\$ 511,050	\$ 323,010	\$ 3,171,839

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, 2003

	Budget	Actual	Variance Positive (Negative)
REVENUE			
Interest	\$ -	\$ 6,298	\$ 6,298
FUND BALANCE, beginning		418,215	
FUND BALANCE, ending		\$ 424,513	

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, 2003

	Budget	Actual	Variance Positive (Negative)
REVENUE			
Intergovernmental	\$ -	\$ 972	\$ 972
Interest	-	12,324	12,324
Total revenues	-	13,296	13,296
EXPENDITURES			
Capital outlay:			
Newport River/Mill Creek	-	-	-
Marshallberg Boat Ramp	-	(100)	100
Western Park	-	-	-
Radio Island	-	-	-
Eastern Park Land & Development	605,345	83,386	521,959
Western Library Design	-	-	-
Future capital improvements	540,000	-	540,000
Total expenditures	1,145,345	83,286	1,062,059
Revenues over (under) expenditures	(1,145,345)	(69,990)	1,075,355
OTHER FINANCING SOURCES			
Transfer in from General Fund	670,000	670,000	-
Fund Balance Appropriated	475,345	-	(475,345)
Total other financing sources	1,145,345	670,000	(475,345)
Revenue and other financing sources over expenditures	\$ -	600,010	\$ 600,010
FUND BALANCE, beginning		625,869	
FUND BALANCE, ending		\$ 1,225,879	

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, 2003

	Total Project Estimate	Actual		
		Prior Years	Current Year	Total To Date
REVENUE				
Intergovernmental - sales tax refund	\$ 100,000	\$ -	\$ -	\$ -
Interest	756,000	775,133	2,450	777,583
Total revenue	856,000	775,133	2,450	777,583
EXPENDITURES				
Capital outlay:				
Newport Middle School construction	13,368,928	13,013,248	(69,482)	12,943,766
Beaufort Elementary School land	1,183,074	1,195,824	29,059	1,224,883
Total expenditures	14,552,002	14,209,072	(40,423)	14,168,649
Revenue over (under) expenditures	(13,696,002)	(13,433,939)	42,873	(13,391,066)
OTHER FINANCING SOURCES (USES)				
Transfer to General Fund	(728,453)	(769,295)	(205)	(769,500)
Proceeds from Certificate of Participation bonds	14,424,455	14,515,000	-	14,515,000
Total financing sources (uses)	13,696,002	13,745,705	(205)	13,745,500
Revenue and other financing sources over (under) expenditures	\$ -	\$ 311,766	42,668	\$ 354,434
FUND BALANCE, beginning			311,766	
FUND BALANCE, ending			\$ 354,434	

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, 2003

	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	6,885,585	25,065	6,910,650
	<u>8,787,800</u>	<u>8,753,846</u>	<u>25,065</u>	<u>8,778,911</u>
EXPENDITURES				
Capital outlay:				
Western High School	16,743,186	16,740,725	-	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	1,440,805	-	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>39,778,226</u>	<u>-</u>	<u>39,778,226</u>
Revenue over (under) expenditures	<u>(31,024,380)</u>	<u>(31,024,380)</u>	<u>25,065</u>	<u>(30,999,315)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from General Fund	2,450,632	2,450,632	-	2,450,632
Transfers from School Projects Reserve Fund	-	950,000	-	950,000
Transfer to General Fund	(37,000)	(987,000)	-	(987,000)
Transfers to School Special Projects Fund	(389,252)	(389,252)	(25,065)	(414,317)
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>(25,065)</u>	<u>30,999,315</u>
Revenue and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE, beginning			-	
FUND BALANCE, ending			<u>\$ -</u>	

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, 2003

	Total	Actual		Total To Date
	Project Estimate	Prior Years	Current Year	
REVENUE				
Intergovernmental:				
Town contributions	\$ 100,000	\$ 57,500	\$ 42,500	\$ 100,000
Friends of the Library contributions	250,000	150,000	(50,000)	100,000
Interest	-	-	4,712	4,712
	<u>350,000</u>	<u>207,500</u>	<u>(2,788)</u>	<u>204,712</u>
EXPENDITURES				
Capital outlay	1,345,000	68,769	726,344	795,113
Revenue over (under) expenditures	(995,000)	138,731	(729,132)	(590,401)
OTHER FINANCING SOURCES (USES)				
Long term debt issued	945,000	-	945,000	945,000
Transfer to General Fund	-	-	(31,589)	(31,589)
Transfer from Capital Improvements	50,000	-	-	-
	<u>995,000</u>	<u>-</u>	<u>913,411</u>	<u>913,411</u>
Revenue and other financing sources over (under) expenditures	\$ -	\$ 138,731	184,279	\$ 323,010
FUND BALANCE, beginning			<u>138,731</u>	
FUND BALANCE, ending			<u>\$ 323,010</u>	

AGENCY FUNDS

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CARTERET COUNTY, NORTH CAROLINA
NONMAJOR AGENCY FUNDS

COMBINING BALANCE SHEET
June 30, 2003

	Sheriff's Department Fund	Social Services Trust Fund	Totals
ASSETS			
Cash, investments and receivables	\$ 30,363	\$ 21,549	\$ 51,912
LIABILITIES			
Accounts payable and accrued liabilities	\$ 30,363	\$ 21,549	\$ 51,912
Total liabilities	\$ 30,363	\$ 21,549	\$ 51,912

CARTERET COUNTY, NORTH CAROLINA
NONMAJOR AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2003

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
<u>Sheriff's Department Fund:</u>				
Assets, cash, investments and receivables	\$ 54,609	\$ 396,558	\$ 420,804	\$ 30,363
Liabilities	\$ 54,609	\$ 396,558	\$ 420,804	\$ 30,363
<u>Social Services Trust Fund:</u>				
Assets, cash and investments	\$ 31,189	\$ 164,950	\$ 174,590	\$ 21,549
Liabilities	\$ 31,189	\$ 164,950	\$ 174,590	\$ 21,549
<u>Totals - All Agency Funds:</u>				
Assets, cash and investments	\$ 85,798	\$ 561,508	\$ 595,394	\$ 51,912
Liabilities:				
Accounts payable and accrued liabilities	\$ 85,798	\$ 561,508	\$ 595,394	\$ 51,912
Total liabilities	\$ 85,798	\$ 561,508	\$ 595,394	\$ 51,912

ENTERPRISE FUND

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CARTERET COUNTY, NORTH CAROLINA

WATER FUND

SCHEDULE OF REVENUES AND EXPENDITURES BUDGET AND ACTUAL (NON-GAAP)

For the Fiscal Year Ended June 30, 2003

	Budget	Actual	Variance Positive (Negative)
REVENUE - Operating			
Charges for services	\$ 147,410	\$ 58,254	\$ (89,156)
Total operating revenues	147,410	58,254	(89,156)
EXPENDITURES - Operating			
Cost of sales and services-			
Salaries & Benefits	14,300	13,613	687
Operating Expense	46,400	27,240	19,160
Contracted Services	50,000	39,115	10,885
Capital Outlay	28,600	-	28,600
Total operating expenditures	139,300	79,968	59,332
Operating revenue over operating expenditures	8,110	(21,714)	(29,824)
NONOPERATING REVENUE (EXPENDITURES)			
Interest earnings	300	418	118
Revolving loan interest	(20,000)	(1,865)	18,135
Revolving loan principal payments	(36,410)	-	36,410
Total nonoperating revenue (expenditures)	(56,110)	(1,447)	54,663
Revenue over expenditures	(48,000)	(23,161)	24,839
OTHER FINANCING SOURCES			
Transfer from the General Fund	48,000	48,000	-
Total other financing sources	48,000	48,000	-
Revenue and other sources over expenditures and other financing uses	\$ -	\$ 24,839	\$ 24,839
Reconciliation of modified accrual basis to full accrual basis:			
Revenue and other financing uses over expenditures		\$ 24,839	
Depreciation		(63,209)	
Capital Contributed		1,686,890	
Net income, full accrual basis		\$ 1,648,520	

CARTERET COUNTY, NORTH CAROLINA

HIGHWAY 101 WATER PROJECT FUND

SCHEDULE OF REVENUES AND EXPENDITURES BUDGET AND ACTUAL (NON-GAAP)

For the Fiscal Year Ended June 30, 2003

	Total	Actual		Total To Date
	Project Estimate	Prior Years	Current Year	
REVENUE				
Intergovernmental:				
State grant fund	\$ 2,969,280	\$ 1,361,467	\$ 1,607,813	\$ 2,969,280
Tap fees	26,250	2,410	53,565	55,975
Contribution from Community College	15,607	15,051	2,769	17,820
Sales tax refund	57,097	-	22,745	22,745
	<u>3,068,234</u>	<u>1,378,928</u>	<u>1,686,892</u>	<u>3,065,820</u>
EXPENDITURES				
Capital Outlay	<u>3,760,001</u>	<u>1,378,928</u>	<u>2,197,765</u>	<u>3,576,693</u>
Revenue over (under) expenditures	<u>(691,767)</u>	<u>-</u>	<u>(510,873)</u>	<u>(510,873)</u>
OTHER FINANCING SOURCES (USES)				
Revolving loan proceeds	<u>691,767</u>	<u>-</u>	<u>467,612</u>	<u>467,612</u>
	<u>691,767</u>	<u>-</u>	<u>467,612</u>	<u>467,612</u>
Revenue and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(43,261)</u>	<u>\$ (43,261)</u>
FUND BALANCE, beginning			<u>-</u>	
FUND BALANCE, ending			<u>\$ (43,261)</u>	

CAPITAL ASSETS USED
IN THE OPERATION OF
GOVERNMENTAL FUNDS

Carteret County, North Carolina
 Capital Assets Used in the Operation of Governmental Funds

Comparative Schedules By Source
 June 30, 2003

	<u>2003</u>	<u>2002</u>
Governmental funds capital assets:		
Land, airport	\$ 169,549	\$ 169,549
Land, other	2,887,533	2,752,855
Construction in progress	826,702	2,574,850
Buildings	24,556,810	22,074,309
Vehicles	2,923,654	2,941,839
Equipment	2,821,653	2,750,660
Airport facilities	1,524,747	1,524,747
Other improvements	3,197,473	4,598,708
	<hr/>	<hr/>
Total governmental funds capital assets	<u>\$ 38,908,121</u>	<u>\$ 39,387,517</u>
Investment in governmental funds capital assets		
General Fund	\$ 38,081,419	\$ 36,812,667
Capital Project Funds	826,702	2,574,850
	<hr/>	<hr/>
Total investment in governmental funds capital assets	<u>\$ 38,908,121</u>	<u>\$ 39,387,517</u>

Carteret County, North Carolina
 Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity
 June 30, 2003

	Land	Buildings	Vehicles	Equipment	Airport Facilities	Other Improvements	Constuction in Progress	Total
<u>Function and Activity</u>								
General Government:								
County Administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 76,275	\$ -	\$ 76,275
Tax Administration	-	-	80,506	128,617	-	-	-	209,123
Register of Deeds	-	17,665	-	68,808	-	16,000	-	102,473
Elections	-	-	-	316,175	-	-	-	316,175
Information Technology	-	-	-	603,912	-	-	-	603,912
Public Buildings	752,835	7,514,257	51,005	11,835	-	438,432	-	8,768,364
Other	334,810	-	-	7,202	-	-	-	342,012
Total General Government	1,087,645	7,531,922	131,511	1,136,549	-	530,707	-	10,418,334
Public Safety:								
Law Enforcement	-	8,614,309	1,096,341	154,916	-	339,901	-	10,205,467
Emergency Services	-	-	70,037	1,114,753	-	-	-	1,184,790
Building Inspections	-	-	66,882	-	-	-	-	66,882
Total Public Safety	-	8,614,309	1,233,260	1,269,669	-	339,901	-	11,457,139
Transportation	169,549	-	592,224	-	1,524,747	131,534	-	2,418,054
Environmental Protection	-	16,850	61,705	-	-	-	-	78,555
Economic & Physical Development	134,678	-	-	-	-	-	-	134,678
Human Services	346,775	5,813,237	755,874	287,778	-	-	-	7,203,664
Culture & Recreation	1,318,435	2,580,492	149,080	127,657	-	2,195,331	826,702	7,197,697
Total governmental funds capital assets	\$ 3,057,082	\$ 24,556,810	\$ 2,923,654	\$ 2,821,653	\$ 1,524,747	\$ 3,197,473	\$ 826,702	\$ 38,908,121

Carteret County, North Carolina
Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes by Function and Activity
For the Year Ended June 30, 2003

Function and Activity	Governmental Funds Capital Assets July 1, 2002	Additions	Deductions	Governmental Funds Capital Assets June 30, 2003
General Government:				
County Administration	\$ 76,275	\$ -	\$ -	\$ 76,275
Tax Administration	209,123	-	-	209,123
Register of Deeds	102,473	-	-	102,473
Elections	316,175	-	-	316,175
Information Technology	603,912	-	-	603,912
Public Buildings	8,971,052	-	202,688	8,768,364
Other	342,012	-	-	342,012
Total General Government	10,621,022	-	202,688	10,418,334
Public Safety:				
Law Enforcement	10,213,615	33,924	42,072	10,205,467
Emergency Services	1,143,925	70,993	30,128	1,184,790
Building Inspections	66,882	-	-	66,882
Total Public Safety	11,424,422	104,917	72,200	11,457,139
Transportation	2,418,054	-	-	2,418,054
Environmental Protection	1,641,010	-	1,562,455	78,555
Economic & Physical Development	1,081,331	134,678	1,081,331	134,678
Human Services	5,923,134	2,719,098	1,438,568	7,203,664
Culture & Recreation	6,278,544	919,153	-	7,197,697
Total governmental funds capital assets	\$ 39,387,517	\$ 3,877,846	\$ 4,357,242	\$ 38,908,121

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OTHER FINANCIAL DATA

CARTERET COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

June 30, 2003

Fiscal Year	Uncollected Balance June 30, 2002	Additions	Collections	Adjustments	Uncollected Balance June 30, 2003
2002-2003	\$ -	\$ 30,970,997	\$ 29,898,714	\$ -	\$ 1,072,283
2001-2002	1,275,671	-	800,886	6,700	481,485
2000-2001	716,702	-	238,328	(107,609)	370,765
1999-2000	413,027	-	94,766	(207,118)	111,143
1998-1999	105,770	-	44,110	(6,977)	54,683
1997-1998	75,986	-	27,560	(893)	47,533
1996-1997	39,679	-	10,360	(725)	28,594
1995-1996	36,393	-	5,389	(772)	30,232
1994-1995	23,591	-	1,471	(815)	21,305
1993-1994	18,849	-	1,006	(784)	17,059
	<u>\$ 2,705,668</u>	<u>\$ 30,970,997</u>	<u>\$ 31,122,590</u>	<u>\$ (318,993)</u>	<u>2,235,082</u>

Less allowance for uncollectible
ad valorem taxes receivable

624,080

Net property taxes receivable - General Fund

\$ 1,611,002

Reconcilement with revenue:

Ad valorem taxes- General Fund

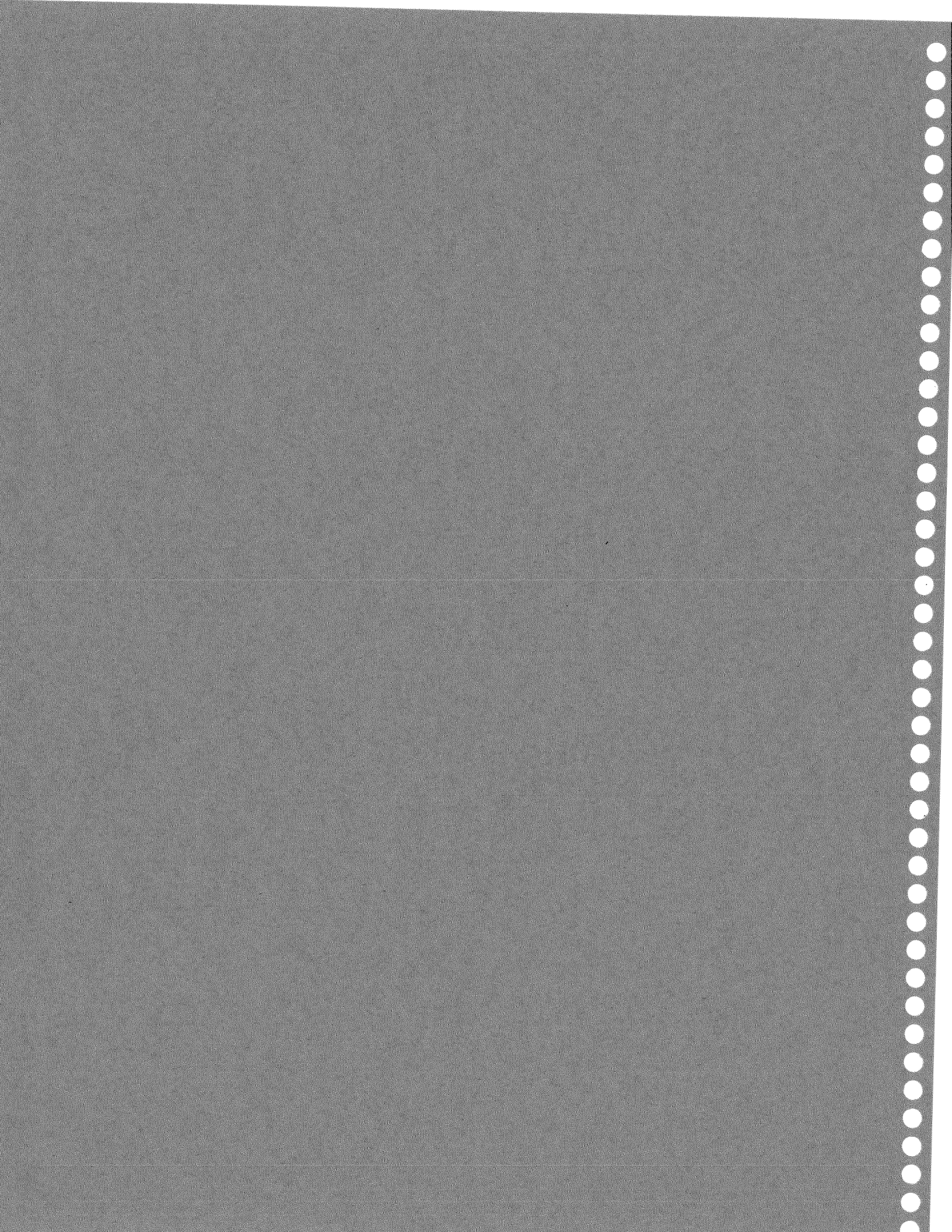
\$ 31,122,590

CARTERET COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR'S TAX LEVY
For the Year Ended June 30, 2003

	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	\$ 7,202,553,333	0.42	\$ 30,250,724	\$ 28,926,413	\$ 1,324,311
Motor vehicles taxes at prior year's rate	160,350,909	0.44	705,544	-	705,544
Total	<u>7,362,904,242</u>		<u>30,956,268</u>	<u>28,926,413</u>	<u>2,029,855</u>
Discoveries:					
Current year taxes	28,512,381		119,752	119,564	188
Refunds	26,966,905		113,261	122,369	(9,108)
Total	<u>55,479,286</u>		<u>233,013</u>	<u>241,933</u>	<u>(8,920)</u>
Abatements	(51,972,619)		(218,285)	(155,445)	(62,840)
Total property valuation	<u>\$ 7,366,410,909</u>				
Net levy-General Fund			30,970,997	29,012,901	1,958,095
Uncollected taxes at June 30, 2003 - General Fund			1,072,293	789,867	282,415
Current year's taxes collected - General Fund			<u>\$ 29,898,704</u>	<u>\$ 28,223,034</u>	<u>\$ 1,675,680</u>
Current levy collection percentage - General Fund			<u>96.54%</u>	<u>97.28%</u>	<u>85.58%</u>

STATISTICAL SECTION



Carteret County, North Carolina
 Government-wide Revenues
 First Fiscal Year

Table 1

PROGRAM REVENUES		GENERAL REVENUES						
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Grants and Contributions Not Restricted to Specific Programs	Unrestricted Investment Earnings	Miscellaneous	Total
2003	\$3,983,307	\$7,718,090	\$1,965,780	\$49,604,195	\$669,380	\$447,847	\$189,567	\$64,578,166

**Carteret County, North Carolina
Government-wide Expenditures
First Fiscal Year**

Table 2

Fiscal Year	General Government	Public Safety	Transportation	Economic and Physical Development				Human Services	Culture and Recreation	Education	Interest on Long-Term Debt	Water	Total
				Development	Protection	Environmental	Human Services						
2003	\$4,734,358	\$11,051,063	\$641,203	\$3,861,247	\$2,443,323	\$13,651,297	\$2,056,136	\$23,378,135	\$2,415,433	\$145,753	\$64,377,948		

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

Table 3

<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>
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	8,615,650	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
2003	34,856,263	12,254,468	2,111,540	8,259,055	1,784,053	315,026	308,426	59,888,831

Notes:

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

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

Table 4

<u>Fiscal</u> <u>Year Ended</u> <u>June 30</u>	<u>General</u> <u>Government</u>	<u>Public</u> <u>Safety</u>	<u>Transpor-</u> <u>tation</u>	<u>Economic &</u> <u>Physical</u> <u>Development</u>	<u>Human</u> <u>Services</u>	<u>Environmental</u> <u>Protection</u>	<u>Cultural &</u> <u>Recreation</u>	<u>Education</u>	<u>Capital</u> <u>Projects</u>	<u>Debt</u> <u>Service (2)</u>	<u>Total</u> <u>Expenditures</u>
1994	\$2,074,890	\$4,869,061	\$424,535	\$1,475,208	\$7,602,778	\$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	8,378,689	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	8,918,409	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	8,364,160	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	8,835,890	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	9,469,558	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	11,622,653	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	13,179,127	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	13,261,242	2,547,719	1,988,228	19,570,613	3,245,972	6,099,780	61,673,453
2003	3,331,803	10,528,723	452,826	1,250,882	13,551,316	2,434,842	2,029,285	17,738,085	620,315	11,579,069	63,517,146

Notes:

(1) Includes Annually Budgeted Funds: General, E-911, Fire Districts, Rescue Districts, 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.

2003 increase reflects refunding of 1992 COPs and an installment purchase contract

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

Table 5

<u>Fiscal Year Ended June 30</u>	<u>Total Tax Levy (1)(2)</u>	<u>Collections of Current Levy</u>	<u>Percent of Current Taxes Collected</u>	<u>Collections of Prior Levy</u>	<u>Total Property Taxes Collected</u>	<u>Ratio of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Tax Levy</u>
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%	2,729,823	8.61%
2003	30,970,996	29,898,714	96.54%	1,223,876	31,122,590	100.49%	2,235,082	7.22%

Notes:

(1) Includes General and Special Revenue Funds fiscal year 1992 - 2000; fiscal years 2001, 2002 and 2003 include General Fund only.

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

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

Table 6

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>State Certified</u>	<u>Total Assessed</u> <u>Valuation (4)</u>
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
2003	6,538,009,873	731,270,275	97,130,761	7,366,410,909

- 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 7

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<i>Municipalities</i>										
Carteret County	0.4600	0.4600	0.5100	0.5100	0.4200	0.4200	0.5000	0.5100	0.4400	0.4200
Atlantic Beach	0.4500	0.4500	0.4500	0.4500	0.3500	0.3100	0.3100	0.2900	0.2100	0.2300
Beaufort	0.4050	0.4050	0.4050	0.4050	0.3450	0.3450	0.3450	0.3850	0.3400	0.3600
Bogue ¹				0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
Cape Carteret	0.3500	0.3500	0.3500	0.3500	0.2600	0.2600	0.2600	0.2600	0.2300	0.2300
Cedar Point	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
Emerald Isle	0.2150	0.2150	0.2000	0.2150	0.1750	0.1850	0.1950	0.1950	0.1750	0.1850
Indian Beach	0.1900	0.1900	0.1900	0.2300	0.1700	0.1700	0.1700	0.1700	0.1600	0.1600
Morehead City	0.4500	0.4500	0.4500	0.4500	0.4000	0.4600	0.4000	0.4000	0.3800	0.3800
Newport	0.4600	0.4600	0.4600	0.4600	0.4200	0.4200	0.4200	0.4500	0.4300	0.4300
Pellitier ²					0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
Pine Knoll Shores	0.2050	0.2050	0.2100	0.2100	0.1600	0.1600	0.1600	0.1600	0.1600	0.1700
<i>Fire Districts</i>										
Atlantic	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0400	0.0550
Atlantic Beach ⁴	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	0.0680	0.0600	0.0600	0.0600	0.0500	0.0600
Broad & Gales Creek	0.0600	0.0600	0.0600	0.0600	0.0500	0.0400	0.0400	0.0400	0.0350	0.0400
Cape Carteret	0.0400	0.0400	0.0400	0.0400	0.0400	0.0400	0.0400	0.0550	0.0700	0.0700
Cedar Island	0.0900	0.0900	0.0900	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Davis	0.0800	0.0800	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Harkers Island	0.0400	0.0400	0.0410	0.0410	0.0400	0.0400	0.0400	0.0600	0.0600	0.0600
Harlowe	0.0500	0.0550	0.0500	0.0500	0.0550	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	0.0600	0.0700
Mill Creek	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0550	0.0700	0.0550	0.0550
Mitchell Village	0.0600	0.0800	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	0.0650	0.0600	0.0600	0.0600	0.0550	0.0700
North River	0.0900	0.0900	0.0900	0.0900	0.0900	0.0900	0.0900	0.0900	0.0700	0.0750
Otway	0.0500	0.0500	0.0500	0.0500	0.0400	0.0400	0.0400	0.0400	0.0400	0.0400
Salter Path	0.0600	0.0600	0.0600	0.0600	0.0600	0.0500	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	0.0600	0.0600	0.0600	0.0600	0.0500	0.0800
<i>Rescue Districts</i>										
Beaufort	0.0330	0.0450	0.4500	0.0450	0.0450	0.0450	0.0450	0.0450	0.0400	0.0550
Broad & Gales Creek	0.0200	0.0200	0.0200	0.0200	0.0200	0.0150	0.0150	0.0200	0.0200	0.0350
Cape Carteret	0.0200	0.0250	0.0250	0.0250	0.0250	0.0200	0.0470	0.0500	0.0500	0.0500
Mitchell Village	0.0200	0.0400	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	0.0250	0.0500	0.0600	0.0450	0.0550
Sea Level	0.0700	0.0700	0.0700	0.0700	0.0900	0.0900	0.1000	0.1000	0.1375	0.1675
Mill Creek ³							0.0100	0.0100	0.0100	0.0200
<i>Beach Nourishment Districts⁵</i>										
Salter Path										0.4300
Indian Beach Non Ocean Front										0.0500
Indian Beach Ocean Front										0.4800
Emerald Isle Non Ocean Front										0.0300
Emerald Isle Ocean Front										0.4800

Notes:

¹ First Year Tax District 1997

² First Year Tax District 1998

³ First Year Tax District 2000

⁴ Annexed by Town of Atlantic Beach 2002

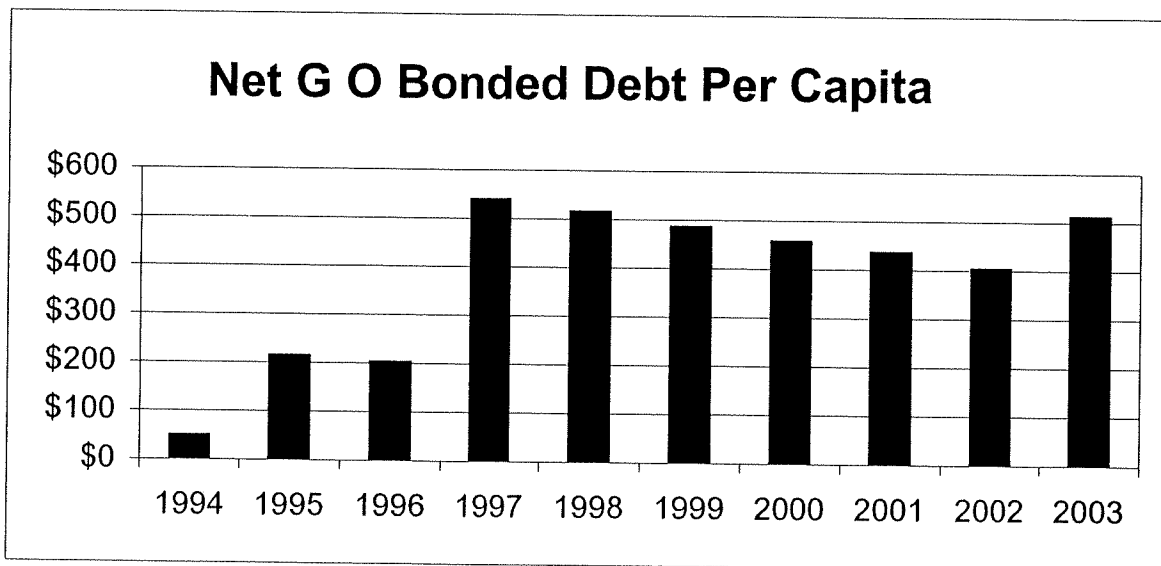
⁵ First Year Tax District 2003

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

Table 8

<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>
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
2003	7,366,410,909	31,050,000	0.42%	60,712	511.43

Notes: (1) NC Office of State Planning



Carteret County, North Carolina
Computation of Legal Debt Margin
June 30, 2003

Table 9

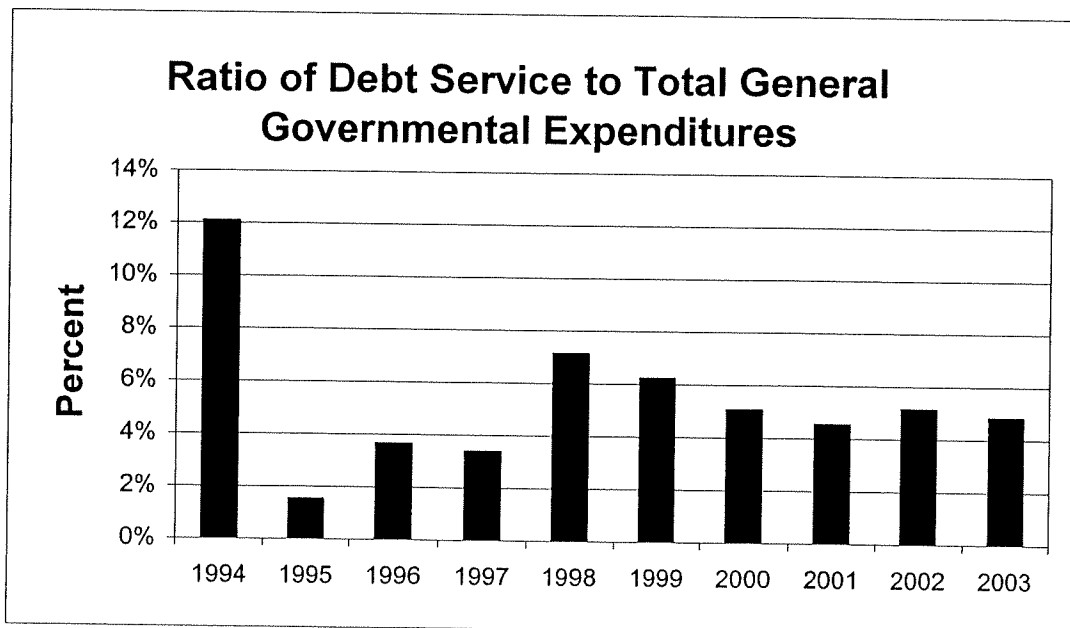
Assessed Values of Property	<u>\$7,366,410,909</u>
Debt Limit 8 percent of Assessed Value	589,312,873
Gross Debt:	
Total Bonded Debt	55,335,000
Installment Debt	<u>3,073,143</u>
Total Amount of Debt Applicable to Debt Limit	<u>58,408,143</u>
Legal Debt Margin	<u><u>530,904,730</u></u>

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 10

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Principal (1)</u>	<u>Interest</u> <u>on Bonds</u>	<u>Total Debt</u> <u>Service (2)</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>
1994	\$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%
2003	1,700,000	1,355,400	3,055,400	63,517,146	4.81%

- 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, 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, 2003

Table 11

	<u>Net General Obligation Bonded Debt</u>	<u>Percent Applicable to County</u>	<u>Amount Applicable to County</u>
Direct			
Carteret County	\$ 31,050,000	100.00%	\$ 31,050,000
Underlying			
Town of Beaufort	727,000	100.00%	727,000
Town of Atlantic Beach	472,745	100.00%	472,745
Town of Newport	3,374,078	100.00%	3,374,078
Town of Pine Knoll Shores	8,116,000	100.00%	8,116,000
Town of Emeral Isle	9,400,000	100.00%	9,400,000
Town of Indian Beach	3,705,557	100.00%	3,705,557
	<u>\$ 56,845,380</u>		<u>\$ 56,845,380</u>

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

Table 12

<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>
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	4.54%	8,176
1998	59,725	21,537	4.61%	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
2003	60,712	26,090	5.30%	8,163

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

Carteret County, North Carolina
Principal Taxpayers
June 30, 2003

Table 13

Name of Taxpayer	Type of Enterprise	Assessed Valuation	Percent of Total Assessed Valuation
Carteret-Craven Electric Memb. Corp.	Utility	\$32,765,694	0.44%
Carolina Telephone	Utility	30,921,897	0.42%
Open Grounds Farm, Inc.	Farm	30,847,936	0.42%
Carolina Power & Light Co.	Utility	26,716,257	0.36%
Atlantic Hotel Ltd	Hotel	21,652,723	0.29%
RPM Partners, Paxon Holz	Real Estate	13,244,334	0.18%
Atlantic Veneer Corp.	Manufacturing	12,272,184	0.17%
Wal-Mart Stores East Inc.	Retail	11,635,999	0.16%
Weyerhaeuser Company	Real Estate	10,991,625	0.15%
Glimcher Properties Ltd	Shopping Center	10,807,944	0.15%
		<u>\$201,856,593</u>	<u>2.74%</u>

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

Table 14

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Property Value</u>	<u>Construction</u> ⁽²⁾ <u>Number of</u> <u>Permits Issued</u>	<u>Construction</u> <u>Value</u>	<u>Bank Deposits</u> ⁽¹⁾
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	687,816,000
2003	7,366,410,909	2,710	54,070,339	*

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, 2003

Table 15

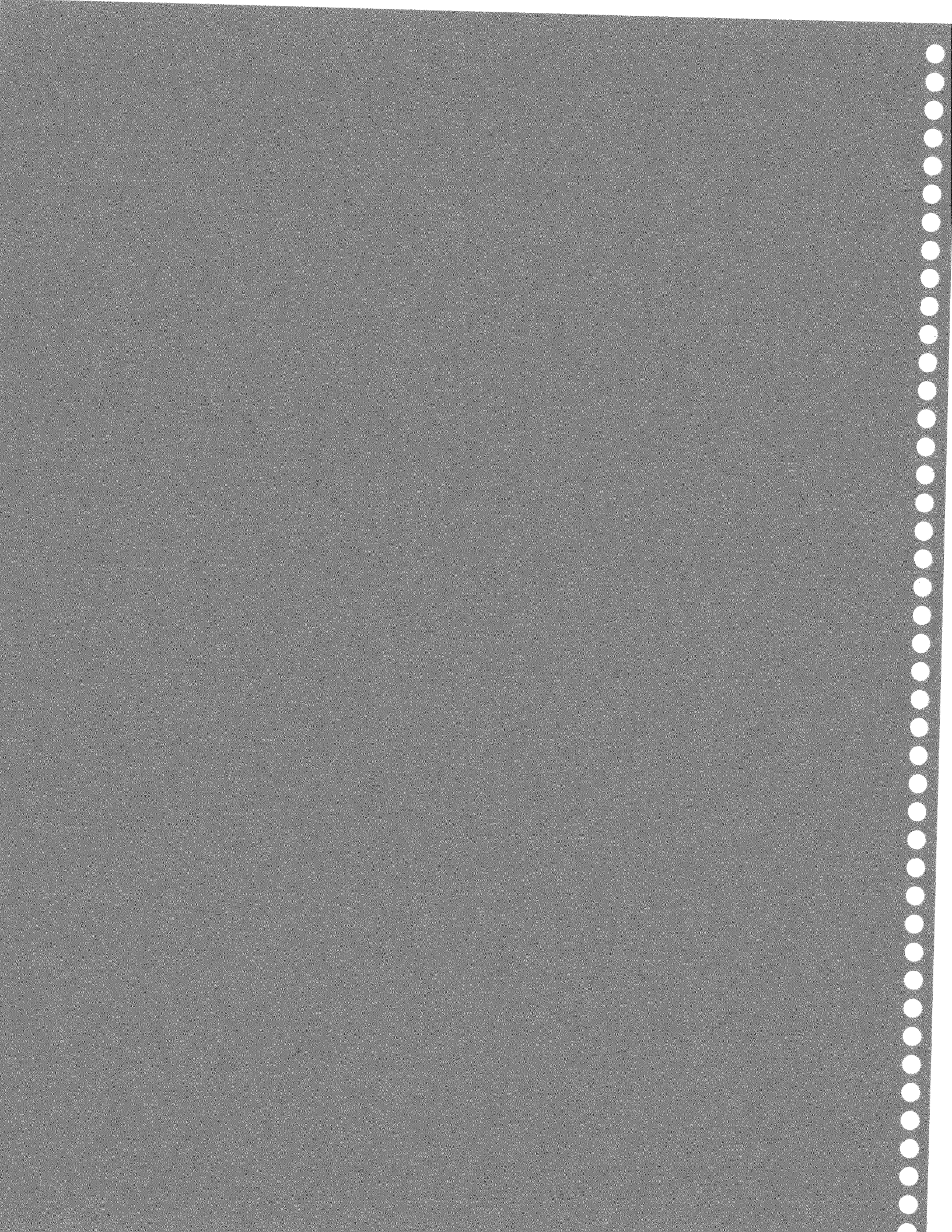
Date of Establishment	1722
	Commission-Manager
Form of Government	
Area	526 Square Miles
Carteret County Facilities and Services:	
Fire Protection:	
Number of stations	25
Number of firemen and officers	615
Number of patrol units	1,850
Police Protection:	
Number of stations	1
Number of deputies and officers	50
Number of patrol units	20
Inspections:	
Number of building permits issued (1)	2,710
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	692
Number of students	8163
Number of community colleges	
Number of colleges	1
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

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COMPLIANCE SECTION



McGladrey & Pullen

Certified Public Accountants

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 basic financial statements of Carteret County, North Carolina, as of and for the year ended June 30, 2003, and have issued our report thereon dated October 3, 2003. 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 Authority 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.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matter in the internal control over financial reporting that might be material weaknesses. 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 amount that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

McGladrey & Pullen, LLP

Morehead City, North Carolina
October 3, 2003

McGladrey & Pullen

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

To the Board of County Commissioners
Carteret County, North Carolina

Scope of the Report

Carteret County's basic financial statements include the operations of Carteret General Hospital Corporation, Carteret County Alcoholic Beverage Control Board (ABC Board), Beaufort-Morehead City Airport Authority, and Carteret County Tourism Development Authority, which are 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 statements of Carteret County Tourism Development Authority were audited in accordance with Government Auditing Standards, but not in accordance with OMB Circular A-133 or the State Single Audit Implementation Act. 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 its major federal program for the year ended June 30, 2003. Carteret County's major federal program is 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.

In our opinion, Carteret County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

McGladrey & Pullen, LLP

Morehead City, North Carolina
October 3, 2003

McGladrey & Pullen

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH APPLICABLE SECTIONS OF OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

To the Board of County Commissioners
Carteret County, North Carolina

Scope of the Report

Carteret County's basic financial statements include the operations of Carteret General Hospital Corporation, Carteret County Alcoholic Beverage Control Board (ABC Board), Beaufort-Morehead City Airport Authority, and Carteret County Tourism Development Authority, which are 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 statements of Carteret County Tourism Development Authority were audited in accordance with Government Auditing Standards, but not in accordance with applicable sections of OMB Circular A-133 or the State Single Audit Implementation Act. 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, 2003. 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, 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, 2003.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 material in relation to a major state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

McGladrey & Pullen, LLP

Morehead City, North Carolina
October 3, 2003

CARTERET COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2003

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? _____ yes X 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? _____ yes X 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?

_____ yes X no

Identification of major federal program:

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

CARTERET COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2003

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

\$ 1,114,032

Auditee qualified as low-risk auditee?

 Yes X no

State Awards

Internal control over major State programs:

Material weakness(es) identified?

 yes X 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?

 yes X 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
Clean Water Grant	N/A

Section 2. Financial Statement Findings

None reported.

CARTERET COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Year Ended June 30, 2003

Section 3. Federal Award Findings and Questioned Costs

None reported.

Section 4. State Award Findings and Questioned Costs

None reported.

CARTERET COUNTY, NORTH CAROLINA

**CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2003**

No corrective action plan is required for the current year.

CARTERET COUNTY, NORTH CAROLINA

STATUS OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2003

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

During the June 30, 2002 audit the County received an internal control weakness regarding segregation of duties in the data entry and proofing of the accounts payable invoices prior to actual disbursements. The Finance Department immediately segregated this duty and it remains segregated. The corrective action as stated on page 130 in the County's June 30, 2002 audited financial statements remains the County's practice.

CARTERET COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2003

(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		\$ 15,255	\$ -	\$ 55,497
Passed through NC Department of Health and Human Services: Division of Women and Children: Administered by County Health Department: Special Supplemental Nutrition Program for Women, Infants and Children	10.557		143,754	-	36,593
Benefit Payments - noncash	10.557		712,309	-	-
			<u>856,063</u>	-	<u>36,593</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		2,768,540	-	-
Food Stamp Admin	10.561		195,553	-	195,553
Food Stamp E&T & Depend Care	10.561		2,063	-	2,063
Food Stamp Fraud Admin	10.561		14,063	-	14,063
			<u>2,980,219</u>	-	<u>211,679</u>
Passed through Eastern Carolina Council: Administered by Coastal Community Action USDA Supplement	10.570		12,533	-	-
Total US Department of Agriculture			<u>3,864,070</u>	-	<u>303,769</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	70,037	-	-
Community Development Block Grant	14.228	00-B-0705	124,342	-	-
Total US Department of Housing and Urban Development			<u>194,379</u>	-	-
US Department of Interior:					
Administered by County Finance Department: National Forest, Public Schools	15.225		106,097	-	-

CARTERET COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2003

(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 V	17.235		\$ 44,048	\$ -	\$ 4,894
US Department of Transportation:					
Passed through NC Department of Transportation:					
Administered by County CCATS Department:					
Rural Operating Assistance Including Elderly and Disabled					
Transportation Assistance, Work First, and Rural General Public Program	20.509		91,173	-	71,208
US Department of Health and Human Services:					
Passed through NC Department of Health and Human Services					
NC Division of Aging, Eastern Carolina Council					
Title III F	93.043		6,223	366	732
Access Title III B	93.044		32,660	1,922	3,842
In home level III B (Aging Cluster)	93.044		66,647	3,920	7,841
Title C-1 (Congregate Meals)	93.045		36,930	2,172	4,345
Title C-2 (Home Delivered)	93.045		19,843	1,167	2,334
In-Home SSBG	93.667		21,906	626	2,504
Access 90% State Funds	NC-15		-	33,659	3,740
Caregiver Support	NC-15		-	280	31
In-home State 90% State Funds	NC-15		-	92,168	10,241
Title C-1 90% State Funds (Congregate Meals)	NC-15		-	9,319	1,035
Title C-2 90% State Funds (Home Delivered)	NC-15		-	18,569	2,063
Senior Center Development	NC-15		-	5,088	565
			184,209	169,256	39,274
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		560,737	(192)	72
Work First Administration	93.558		93,642	-	83,807
TANF Domestic Violence	93.558		7,090	-	-
TANF Up	93.558		29,995	-	-
Work First Service	93.558		581,608	-	434,768
			1,273,072	(192)	518,647
Passed through NC Department of Health and Human Services					
Division of Social Services:					
Administered by Carteret County Department of Social Services					
Refugee Assist Admin	93.566		257		
CCDF	93.596		73,732		
			73,989	-	-
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		65,896	-	-
Administration	93.568		10,559	-	-
Crisis Intervention payments	93.568		63,761	-	-
			140,216	-	-

CARTERET COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2003

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	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		\$ 631,070	\$ -	\$ -
Child Care & Development Fund-Mandatory	93.596		325,643	-	-
Child Care & Development Fund-Match	93.596		144,299	57,712	-
SSBG	93.667		11,428	-	-
Temporary Assistance for Needy Families	93.558		147,812	-	-
State Appropriations			-	322,289	-
TANF- MOE			-	214,258	-
			<u>1,260,252</u>	<u>594,259</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		18,060	6,020	-
Adoption subsidy	93.645		8,247	-	2,749
			<u>26,307</u>	<u>6,020</u>	<u>2,749</u>
Foster Care and Adoption Cluster:					
Title IV-E Foster Care:					
Administration	93.658		105,446	-	105,446
IV E CPS	93.658		154,361	33,049	121,311
Foster Care in excess	93.658		9,775	-	5,932
Foster Care payments	93.658		78,037	23,597	23,597
SAWIS ADP Equipment	93.658		518	-	518
Title IV-E adoption subsidy	93.659		83,531	25,551	25,551
			<u>431,668</u>	<u>82,197</u>	<u>282,355</u>
Social Services Block Grant:					
Family Planning:					
In-home Services	93.667		25,968	-	3,710
In-home Services - SSBG	93.667		161,658	35,285	65,648
			<u>187,626</u>	<u>35,285</u>	<u>69,358</u>
Passed through NC Department of Health and Human Services					
Administered by County Department of Social Services:					
NC Health Choice	93.767		37,856	2,725	10,966
Passed through NC Department of Health and Human Services					
Division of Medical Assistance					
Medical Assistance:					
Benefit payments	93.778		28,222,090	14,412,262	2,472,329
Administration	93.778		699,672	27,646	564,848
Transportation	93.778		12,006	-	12,006
			<u>28,933,768</u>	<u>14,439,908</u>	<u>3,049,183</u>

CARTERET COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2003

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	CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
Passed through NC Department of Health and Human Services					
Division of Public Health:					
HHS-CDC-Immunization					
Immunization Program/Aid to County Funding	93.268		\$ 14,824	\$ -	\$ -
Harmful Algal Blooms Program	93.283		18,512	-	-
Social Services Block Grant	93.667		9,916	-	-
Coop Agreement for Breast & Cervical Cancer	93.919		25,506	-	15,093
Statewide Health Promotion Program	93.991		25,733	-	47,846
Maternal & Child Health Services Block Grant	93.994		120,735	-	548,709
			215,226	-	611,648
Total US Department of Health and Human Services			32,764,188	15,329,458	4,584,180
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.			-	66,102	-
Administered by County Finance Department:					
Services for Court Referrals					
Juvenile Restitution Fund				43,693	
Juvenile Crime Prevention				2,585	
Teen Court				40,921	
			-	87,199	-
Division of Social Services:					
Administered by County Department of Social Services:					
State/County Special Assistance Benefit payments			-	369,684	369,684
Energy Assistance, Carolina Power & Light Project			-	20,977	-
Aid to Counties			-	35,411	-
TANF / AFDC Program Integrity			-	2,860	-
CWS Adopt Subsidy & Vendor			-	48,495	16,165
Foster Care At Risk Maximization			-	653	410
State Foster Home			-	24,185	24,185
			-	502,265	410,444
Division of Aging:					
Passed through Eastern Carolina Council of Government					
Administered by the County Department of Social Services					
In-house Services 90% State Funds					
Operation Fan			-	375	-
Division of Public Health:					
Administered by County Health Department:					
AIDS			-	500	-
Child Health			-	575	-
Communicable Disease			-	1,800	-
Environmental Health			-	14,505	766,097
Health Center			-	17,139	933,556
Healthy Carolinians			-	7,500	-
Immunization			-	2,049	-
Risk Reduction/ Health Promotion			-	7,342	-
Renal Disease			-	10,611	1,014
TB Medical Services			-	1,700	-
Tuberculosis			-	11,152	56,341
			-	74,873	1,757,008

CARTERET COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2003

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	CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
Division of Child Development: Passed through Carteret County Partnership for Children Smart Start			\$ -	\$ 39,428	\$ -
Total NC Department of Health and Human Services			-	770,242	2,167,452
NC Department of Environment and Natural Resources:					
Natural Resources Division: Passed through County Finance Office: White Goods Disposal				35,387	
Scrap Tire Disposal				67,402	
			-	102,789	-
Division of Parks and Recreation: Administered by the County Parks and Recreation Department Eastern Park Project				83,386	
			-	83,386	-
Division of Environmental Health: Administered by the Carteret County Water Department Clean Water Grant			-	1,607,813	589,952
Total NC Department of Environment and Natural Resources			-	1,793,988	589,952
NC Department of Corrections:					
Administered by the County Finance Office: Criminal Justice Partnership Program			-	14,364	-
NC Department of Administration:					
Division of Veterans Affairs: Administered by County Veterans Services: Veterans Services			-	2,000	153,004
Other:					
Sexual Assault/Rape Crisis			-	17,120	2,606
Criminal justice System Advocate Rape Crisis		016-1-02-B10-V-041	-	34,232	8,558
Volunteers Are Vital Rape Crisis VOCA		016-1-01-020-V-240	-	23,166	5,791
Domestic Violence			-	30,000	-
Marriage License			-	12,536	-
Rape Prevention			-	13,200	-
ESGP			-	7,000	7,000
Carolines House			-	39,651	4,733
Total NC Department of Administration			-	178,905	181,692

CARTERET COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2003

(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			\$ -	\$ 25,065	\$ -
NC Department of Transportation					
Rural Operating Assistance Program	6717916R		-	14,399	2,808
DOT Transportation Coordinator Grant Check	03-CT-054		-	69,433	12,253
DOT Facility Improvement Grant	03-SF-009		-	81,000	9,000
			-	164,832	24,061
NC Health & Wellness Trust Fund					
Administered by Carteret County Aging Department					
Prescription Asst./ Medical Management		536401007	-	15,824	-
Total Federal Expenditures			<u>\$ 37,063,956</u>		
Total State Expenditures				<u>\$ 18,292,678</u>	
Total Local Expenditures					<u>\$ 7,927,208</u>

CARTERET COUNTY, NORTH CAROLINA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2003

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.

