

Carteret County Finance

Denise K. Harris, CPA
Finance Director



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

November 2, 2004

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, 2004.

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

The County's financial statements have been audited by McGladrey & Pullen, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2004 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, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the County

Carteret County, incorporated in 1722, is a growing county located on the central coastline of North Carolina with approximately 61,000 residents living in or around municipalities and rural "Down East" maritime communities. Carteret County contains 526 square miles of land area and a coastline nearly 80 miles long. The county is bordered on the north by the Pamlico Sound and on the east and south by the Atlantic Ocean. Eleven municipalities are located within the county, with Morehead City being the largest. Beaufort, the third oldest town in North Carolina, serves as the county seat.

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

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

The annual budget serves as the foundation for the County's financial planning and control. All agencies of the County are required to submit requests for appropriation to the county manager's office on or before the end of February each year. The appropriated budget is prepared by fund, function (e.g. public safety), and department (e.g. law enforcement). Department heads may make transfers of appropriations within a department. The county manager may transfer amounts between objects of expenditures and revenues within a department without limitation. He may transfer amounts up to \$20,000 between departments of the same fund. He may not transfer any amount between funds or from contingency appropriation within any fund without action of the Board of Commissioners. The manager may also transfer amounts within and between funds for the sole purpose of funding salary and benefits adjustments consistent with the Carteret County personal policy. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 28 as part of the basic financial statements for the governmental funds. Also included in the governmental fund subsection are project-length budget-to-actual comparisons for each governmental fund for which a project-length budget has been adopted (i.e. the special revenue funds and the capital projects funds).

Factors Affecting Financial Condition

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

Local Economy

The County economy continues its successful transition from a seasonal economy dependent on tourism to a diversified, year-round economy. Annual unemployment average was 4.66% for the County compared to 5.30% in the prior year. Although the tourism industry continues to perform well with an average annual economic impact of \$207 million, much of the improvement in the economy is attributable to the diversification of the economy into manufacturing, distribution, research, and the construction trades.

Table of Contents

Introductory Section (Unaudited)

Letter of Transmittal	1 - 5
List of Principal Officials	6
Organizational Chart	7
Map of Carteret County	8
GFOA Certificate of Achievement	9

Financial Section

Independent Auditor's Report	10 - 11
Management's Discussion and Analysis	12 - 20
Basic Financial Statements	
Government-wide financial statements:	
Statement of net assets	21 - 22
Statement of activities	23 - 24
Fund financial statements:	
Governmental Funds:	
Balance sheet	25
Statement of revenue, expenditures and changes in fund balances	26
Reconciliation of the statement of revenues, expenditures, and changes in fund balances - to the statement of activities	27
General Fund:	
Statement of revenue, expenditures and changes in fund balances - budget and actual	28
Proprietary Funds:	
Statement of fund net assets	29
Statement of revenues, expenses and changes in fund net assets	30
Statement of cash flows	31 - 32
Fiduciary Funds:	
Statement of fiduciary net assets	33
Notes to financial statements	34 - 71
Supplementary Information	
General Fund:	
Schedule of revenue, expenditures and changes in fund balance - budget and actual	72 - 79
Summary of Nonmajor Funds:	
Combining balance sheet - nonmajor governmental fund types	80
Combining statement of revenue, expenditures and changes in fund balance - nonmajor governmental fund types	81

Combining balance sheet	82 - 83
Combining statement of revenue, expenditures and changes in fund balances (deficit)	84 - 85
Schedule of revenue, expenditures, and changes in fund balance (deficit) - budget and actual:	
Rescue Squad Fund	86
Fire District Fund	87
Emergency 911 Fund	88
Occupancy Tax Fund	89
Salter Path District Fund	90
2003 CDBG Scattered Site	91
CDBG 2001 Laurel Road Fund	92
DRI GRANT 1998 Bonnie Fund	93
Nonmajor Capital Project Funds:	
Combining balance sheet	94 - 95
Combining statement of revenue, expenditures and changes in fund balances	96 - 97
Schedule of revenue, expenditures and changes in fund balance - budget and actual:	
County Capital Reserve Fund	98
County Capital Improvements Fund	99
Newport Middle School COPS Fund	100
School Special Projects Fund	101
Health Center Renovations Fund	102
Western Library Fund	103
Beaufort Elementary School Project	104
Carteret Community College Fund	105
Enterprise Fund:	
Schedule of revenue and expenditures - budget and actual (non-GAAP):	
Water Fund	106
Highway 101 Project Fund - Phase I	107
Highway 101 Phase II Water Project Fund	108
Agency Funds:	
Combining balance sheet	109
Combining statement of changes in assets and liabilities	110
Governmental Funds Capital Assets:	
Capital assets used in the operation of governmental funds:	
Comparative schedules by source	111
Schedule by function and activity	112
Schedule of changes by function and activity	113
Other Financial Information:	
Schedule of ad valorem taxes receivable	114
Analysis of current year's tax levy	115

Table 1.	Government-wide revenues	116
Table 2.	Government-wide expenses	117
Table 3.	General governmental revenues - by source - last ten fiscal years	118
Table 4.	General governmental expenditures - by function - last ten fiscal years	119
Table 5.	Property tax levies and collections - last ten fiscal years	120
Table 6.	Assessed value of property - last ten fiscal years	121
Table 7.	Property tax rates - direct and underlying governments - last ten fiscal years	122
Table 8.	Ratio of general obligation debt to assessed value and general obligation bonded debt per capita - last ten fiscal years	123
Table 9.	Computation of legal debt margin	124
Table 10.	Ratio of annual debt service expenditures for general obligation bonded debt to total general governmental expenditures - last ten fiscal years	125
Table 11.	Computation of direct and underlying debt - general obligation bonds	126
Table 12.	Demographic statistics - last ten fiscal years	127
Table 13.	Ten Largest Taxpayers	128
Table 14.	Property value, construction, and bank deposits - last ten fiscal years	129
Table 15.	Miscellaneous statistics	130

Compliance Section

Independent Auditor's Report on:		
	Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	131 - 132
	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	133 - 134
	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	135 - 136
	Schedule of Findings and Questioned Costs	137 - 139
	Corrective Action Plan	140
	Summary Schedule of Prior Audit Findings	141
	Schedule of Expenditures of Federal and State Awards	142 - 147
	Notes to Schedule of Expenditures of Federal and State Awards	148

THIS PAGE WAS INTENTIONALLY LEFT BLANK

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 North Carolina. The Park continues to expand with 19 of the 29 lots available sold in the second phase of the industrial park.

Crystal Coast Business Park is located off US 70 in Morehead City. The park is 58 acres with eleven parcels. Four parcels have been sold. The fifth parcel was sold in August 2004 after year-end. The County continues its efforts to recruit businesses to this park. Parcel sizes vary from approximately 2 acres to over 10 acres.

Marine Research

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

The North Carolina Aquarium in Pine Knoll Shores continues its \$23 million expansion. The aquarium's 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 extends natural gas to the unserved counties of eastern North Carolina. The extension of gas into Carteret County should be completed in early 2005, and will enhance the county's industrial recruitment efforts. The funding source is \$200 million in North Carolina general obligation bonds.

The following table lists the 10 largest manufacturing and nonmanufacturing employers in the County in 2004:

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	327
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, February 2004

Long-Term Financial Planning

The County's operating budget for the fiscal year ending June 30, 2005 totals \$71,015,208 with a tax rate of \$.42 per \$100 of assessed value, based on a total valuation of \$7,799,463,047. The County anticipates moderate growth in its tax base. For the County's operating budget for the fiscal year 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 earnings. Idle cash is invested using competitive bidding among all banks with investments awarded based on the highest yield. The County uses the bond trading areas of Wachovia Bank, BB&T, and First Citizens Bank for pricing and yields on various securities that are purchased. Carteret County invests primarily in government agencies.

Pension and Other Postemployment Benefits

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

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2003, the Separation Allowance's membership consisted of:

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

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

The County also provides 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 26 retired employees receiving this benefit, which is financed on a pay-as-you-go basis. GAAP currently 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 Notes 10 and 11 in the notes to financial statements.

Award and Acknowledgements

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to Carteret County for its Comprehensive Annual Financial Report for the year ended June 30, 2003. This was the eighth consecutive year that Carteret County has received this prestigious award. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, the County also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year ended June 30, 2004. In order to qualify for the Distinguished Budget Presentation Award, the county's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications devise.

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

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

Sincerely,



Dee K. Harris
Finance Director

CARTERET COUNTY, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2004

**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

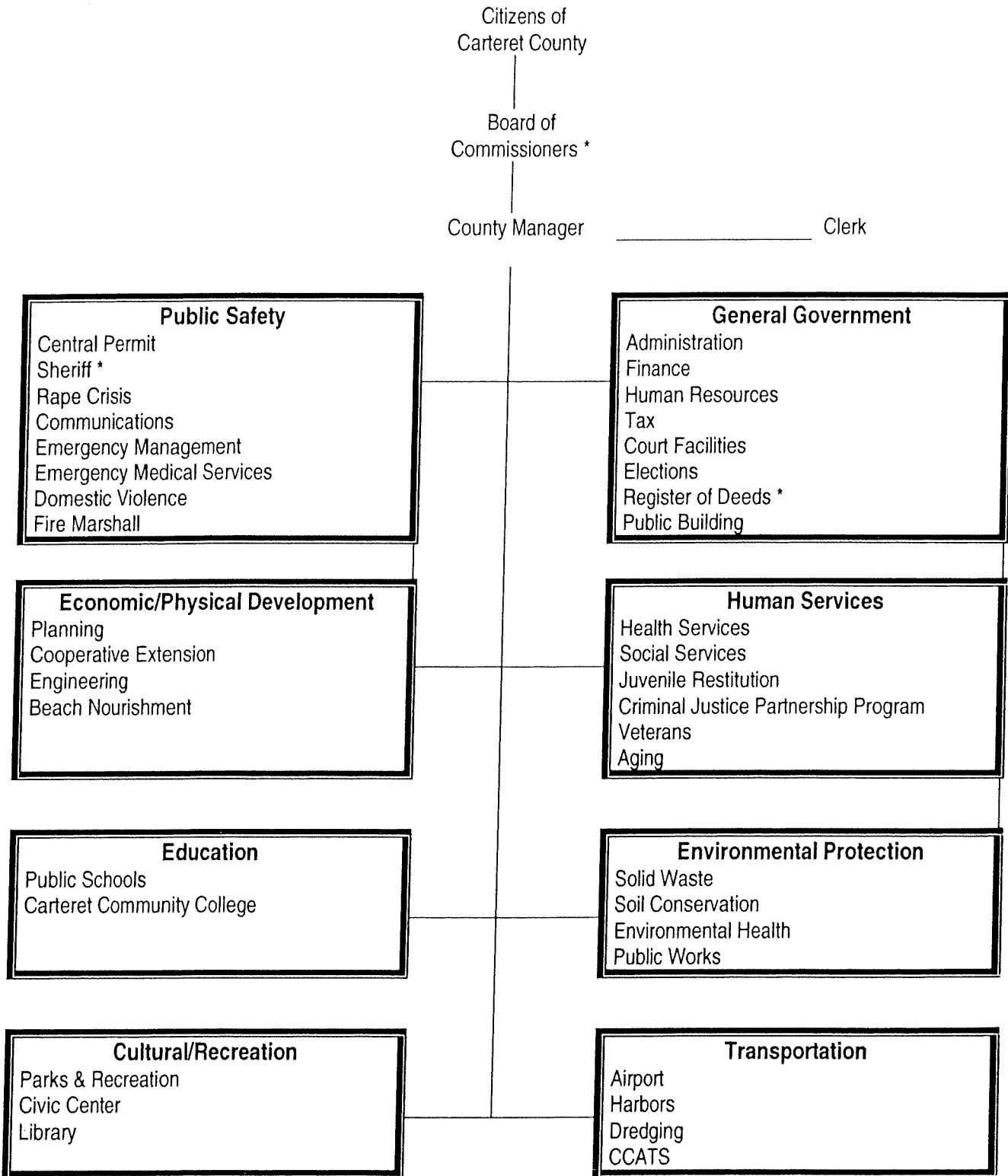
JACK DAWSEY
Cape Carteret, North Carolina

DAVID WHEATLY
Beaufort, North Carolina

COUNTY OFFICIALS

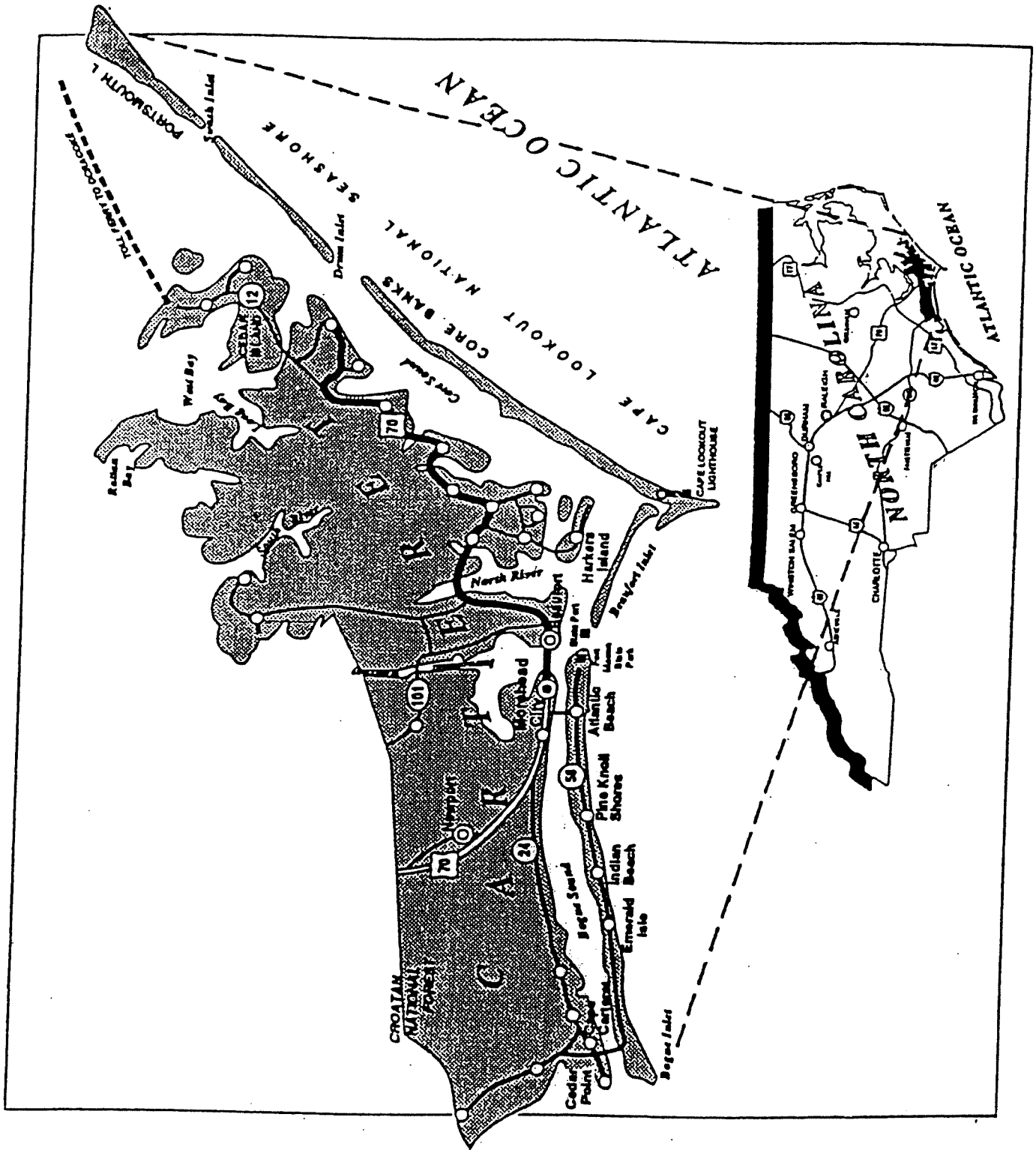
John Langdon	County Manager
Dee K. Harris	Finance Director
Ralph Thomas, Jr.	Sheriff
Melanie Arthur	Register of Deeds
J.T. Garrett	Health Director
Katrina Marshall	Planning & Central Permit Director
Robert Eason	Social Services Director
Patsy Hardesty	Elections Director
Myles McLoughlin	Human Resources 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, 2003

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.



Nancy L. Zjelle

President

Jeffrey R. Enos

Executive Director

THIS PAGE WAS INTENTIONALLY LEFT BLANK

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, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Carteret County, North Carolina's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Beaufort-Morehead City Airport Authority, Carteret County Tourism Development Authority, Carteret County Alcoholic Beverage Control ("ABC") Board or Carteret County General Hospital Corporation, which constitute all of the County's discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Carteret County ABC Board and Carteret County General Hospital Corporation, each discretely presented component units, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Carteret County, North Carolina, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 19 to the financial statements, during the year ended June 30, 2004 the County changed its method of accounting for sales tax revenue due to a change in the State's method for distributing sales taxes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2004 on our consideration of Carteret County, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis information on pages 12 through 20 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 opinions on the financial statements that collectively comprise Carteret County, North Carolina basic financial statements. The combining and individual fund financial statements and other schedules listed in the table of contents as supplementary information and the introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the accompanying Schedule of Expenditures of Federal and State Awards as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining and individual fund financial statements and other schedules and the Schedule of Expenditures of Federal and State Awards have been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Morehead City, North Carolina
September 24, 2004

Carteret County, North Carolina

Management's Discussion and Analysis
June 30, 2004

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, 2004. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative, and the preceding letter of transmittal.

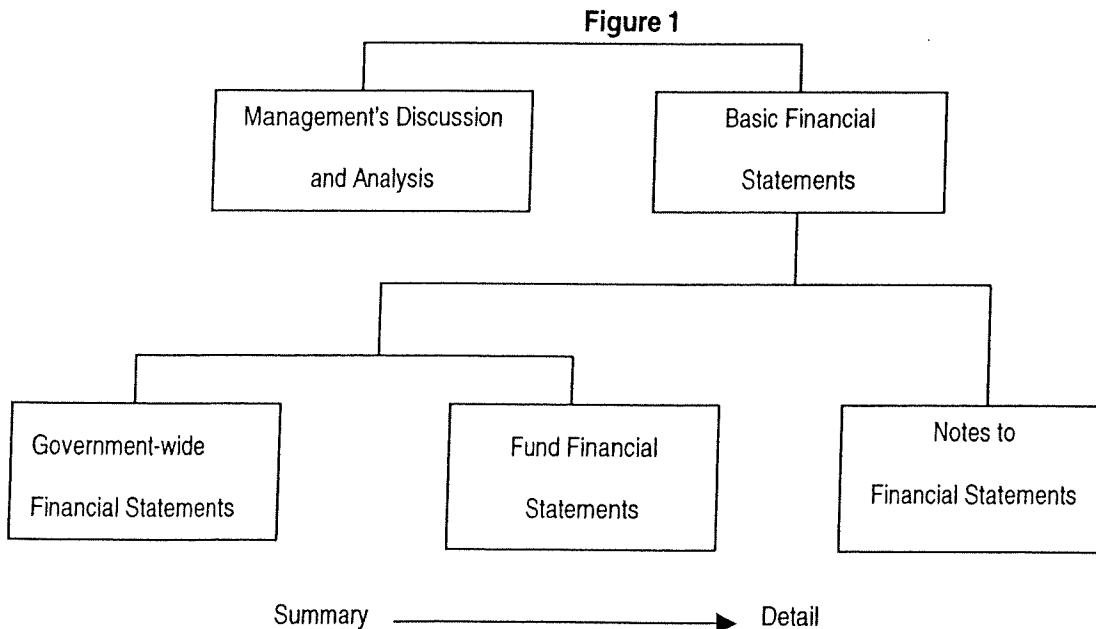
Financial Highlights

- The assets of Carteret County (primary government) were less than its liabilities at the close of the fiscal year by \$524,819 (*net assets deficiencies*). This is primarily due to the amount of debt the County has outstanding for school construction.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$12,749,203 or 23.10 percent of total general fund expenditures for the fiscal year.
- The County's total long-term debt (Figure 5) decreased by \$3,660,903 due primarily to debt payments. The County advanced refunded \$19,050,000 of 1995 and 1996 issue general obligation bonds. The refunding was due to approximately 7% interest savings, and the par amount of the new bonds is \$19,960,000. The County maintained its AA- (Fitch IBCA), Aa3 (Moody's Investor Services) for the 4th consecutive year, and was upgraded from A1 to Aa- by Standard & Poor's.

Overview of the Financial Statements

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

Required Components of Annual Financial Report



Basic Financial Statements

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

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

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

The government-wide financial statements are on Pages 21 – 24 of this report.

Fund Financial Statements

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

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.

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

Notes to Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 34 – 71 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its law enforcement employees. Required supplementary information can be found in the notes on page 63 of this report.

Carteret County, North Carolina

Management's Discussion and Analysis
June 30, 2004

Government-Wide Financial Analysis

The government-wide financial statements for the fiscal year ended June 30, 2003, was the beginning of a new era in financial reporting for the County, and many other units of government across the United States. Prior to that 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 general long-term debt and the general fixed assets, added in.

The changes in the financial statement reporting model effective beginning with the year ended June 30, 2003, were mandated by the Government 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.

The County's Net Assets

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 31,119,535	\$ 36,373,337	\$ 108,932	\$ 185,269	\$ 31,228,467	\$ 36,558,606
Capital assets	23,708,547	24,447,475	4,996,180	4,501,058	28,704,727	28,948,533
Total assets	54,828,082	60,820,812	5,105,112	4,686,327	59,933,194	65,507,139
Long-term liabilities						
outstanding	54,892,598	58,911,329	607,600	467,612	55,500,198	59,378,941
Other liabilities	4,334,104	4,743,226	623,711	196,945	4,957,815	4,940,171
Total liabilities	59,226,702	63,654,555	1,231,311	664,557	60,458,013	64,319,112
Net assets:						
Invested in capital assets, net of related debt	22,154,331	18,490,399	4,392,900	4,033,446	26,547,231	22,523,845
Restricted	2,568,301	1,904,375	-	-	2,568,301	1,904,375
Unrestricted	(29,121,252)	(23,228,517)	(519,099)	(11,676)	(29,640,351)	(23,240,193)
Total net assets	\$ (4,398,620)	\$ (2,833,743)	\$ 3,873,801	\$ 4,021,770	\$ (524,819)	\$ 1,188,027

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The liabilities of the County exceeded its assets by \$(524,819) as of June 30, 2004. At June 30, 2003, the assets exceeded the liabilities by \$1,188,027. Net assets is reported in three categories: Invested in capital assets, net of related debt of \$26.5 million, Restricted net assets of \$2.6 million and Unrestricted net assets of \$(29.6) million.

Carteret County, North Carolina

Management's Discussion and Analysis June 30, 2004

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.

Another category of net assets is restricted net assets. This represents resources that are subject to external restrictions on how they may be used. The final category of net assets is unrestricted net assets. This balance may be used to meet the government's ongoing obligations to citizens and creditors. At June 30, 2004, the total unrestricted net assets reported a deficit of (\$29,640,351).

As with many counties in the State of North Carolina, the County's deficit in unrestricted net assets is due primarily to the portion of the County's outstanding debt incurred for the County Board of Education (the "school system") and Carteret Community College. Under North Carolina law, the County is responsible for providing capital funding for the school system and the community college. The County has chosen to meet its legal obligation to provide the school system capital funding by using a mixture of County funds and general obligation debt. The assets funded by the County; however, are owned and utilized by the school system and the community college, and are reported by those entities. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets. At the end of the fiscal year, approximately \$50.0 million of the outstanding debt on the County's financial statements was related to assets included in the school system's and community college's financial statements. However, since the majority of this school system and community college related debt is general obligation debt, it is collateralized by the full faith, credit, and taxing power of the County. Accordingly, the County is authorized and required by State law to levy ad valorem taxes, without limit as to rate or amount, as may be necessary to pay the debt service on its general obligation bonds. Principal and interest requirements will be provided by an appropriation in the year in which they become due.

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 97.13%.
- Continued low cost of debt due to the County's high bond rating.

Carteret County, North Carolina

Management's Discussion and Analysis
June 30, 2004

The County's Changes in Net Assets

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$ 4,803,148	\$ 3,925,053	\$ 147,314	\$ 58,254	\$ 4,950,462	\$ 3,983,307
Operating grants and contributions	8,567,418	7,718,090	28,476	-	8,595,894	7,718,090
Capital grants and contributions	2,300,119	278,890	-	1,686,890	2,300,119	1,965,780
General revenues:						
Property taxes	36,025,572	34,170,397	-	-	36,025,572	34,170,397
Other taxes	16,967,530	15,433,798	-	-	16,967,530	15,433,798
Other	1,082,510	1,306,794	601	418	1,083,111	1,307,212
Total revenues	69,746,297	62,833,022	176,391	1,745,562	69,922,688	64,578,584
Expenses:						
General government	3,700,481	4,734,358	-	-	3,700,481	4,734,358
Public safety	11,636,799	11,051,063	-	-	11,636,799	11,051,063
Transportation	669,794	641,203	-	-	669,794	641,203
Economic and physical development	4,271,109	3,861,247	-	-	4,271,109	3,861,247
Environmental protection	2,964,017	2,443,323	-	-	2,964,017	2,443,323
Human services	14,105,489	13,651,297	-	-	14,105,489	13,651,297
Cultural and recreation	4,260,435	2,056,136	-	-	4,260,435	2,056,136
Education	27,615,077	23,378,135	-	-	27,615,077	23,378,135
Interest on long-term debt	3,153,395	2,415,433	-	-	3,153,395	2,415,433
Water	-	-	394,360	145,753	394,360	145,753
Total expenses	72,376,596	64,232,195	394,360	145,753	72,770,956	64,377,948
Increase (decrease) in net assets before transfers	(2,630,299)	(1,399,173)	(217,969)	1,599,809	(2,848,268)	200,636
Transfers	(70,000)	(48,000)	70,000	48,000	-	-
Increase (decrease) in net assets	(2,700,299)	(1,447,173)	(147,969)	1,647,809	(2,848,268)	200,636
Net assets, July 1, as adjusted for accounting change (see Note 19)	(1,698,321)	(1,386,570)	4,021,770	2,373,961	2,323,449	987,391
Net assets, June 30	\$ (4,398,620)	\$ (2,833,743)	\$ 3,873,801	\$ 4,021,770	\$ (524,819)	\$ 1,188,027

Governmental activities: Governmental activities decreased the County's net assets by \$2,700,299 from fiscal year 2003. Key elements of this decrease are as follows:

- Educational expenses, operating and capital, increased during the year. This increase is due to the County's continued commitment to fund operations, short and long range needs, and the debt service obligation of the school system.

Carteret County, North Carolina

Management's Discussion and Analysis June 30, 2004

- Cultural and recreation activities increased approximately \$2.2 million during the year. Although this is a large increase, approximately \$1.9 million was due to a beach nourishment project that was offset by intergovernmental funds from the state. The continued development of Eastern Park in excess of \$350,000 impacted the County's net assets.
- Human services increases were due to increases in services, and this was the first year the newly renovated health center was depreciated, thus increasing depreciation expense from the prior year

Business-type activities: Business-type activities decreased the County's net assets by approximately \$150,000. This decrease is because this was the first full year the County has operated its water system. The County continues to expand its customer base of this new system.

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 and the County's only major governmental fund. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$12,749,203, while total fund balance reached \$19,326,501. 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 23.10 percent of total General Fund expenditures, while total fund balance represents 35.01 percent of that same amount.

At June 30, 2004, the governmental funds of the County reported a combined fund balance of \$24,494,025.

General Fund Budgetary Highlights:

During fiscal year 2004, the County's financial picture continued to improve. Revenues exceeded budgeted revenues by \$1.4 million. The \$1.4 million is a combination of a higher ad valorem tax collection rate, permits and fees were higher due to fee increases as well as increases in activity levels, and increases in sales tax. This was the first full year of the additional one-half cent sales tax implementation, and this revenue was budgeted very conservatively and accounts for a majority of the increase in other taxes. The additional one-half cent sales tax generated \$2.32 million. This helped the County to increase its fund balance for the third 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 4) to increase debt service for refunding existing debt. Total amendments to the General Fund increased estimated revenues by \$1,846,828 and appropriations by \$864,754.

As stated above, the actual operating revenues for the General Fund were more than the budgeted amount by \$1.4 million. The County's expenditures were less than the budgeted amount by \$1.9 million, and is mostly due to savings in Medicaid, general government and economic and physical development.

Carteret County, North Carolina

Management's Discussion and Analysis
June 30, 2004

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 a deficit of \$(519,099). 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, 2004, totals \$28,704,727 (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:

- 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

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

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 3,006,582	\$ 3,057,082	\$ 52,500	\$ 52,500	\$ 3,059,082	\$ 3,109,582
Buildings	16,943,859	16,914,182	2,072,169	-	19,016,028	16,914,182
Water lines	-	-	2,282,153	897,382	2,282,153	897,382
Vehicles	991,695	520,436	15,455	-	1,007,150	520,436
Equipment	371,072	470,497	16,356	24,889	387,428	495,386
Airport facilities	423,981	1,038,593	-	-	423,981	1,038,593
Other improvements	1,492,119	1,619,983	-	-	1,492,119	1,619,983
Construction in progress	479,239	826,702	557,547	3,526,287	1,036,786	4,352,989
Total	\$ 23,708,547	\$ 24,447,475	\$ 4,996,180	\$ 4,501,058	\$ 28,704,727	\$ 28,948,533

Long-term Debt. As of June 30, 2004, the County had total bonded debt outstanding of \$29,695,000, 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 9.

General Obligation, Capital Leases and Installment Notes Payable

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
General obligation bonds	\$ 29,695,000	\$ 31,050,000	\$ -	\$ -	\$ 29,695,000	\$ 31,050,000
Certificate of participation	22,400,000	24,285,000	-	-	22,400,000	24,285,000
Installment note payable	2,516,572	3,073,143	589,608	467,612	3,106,180	3,540,755
Capital lease	-	-	13,672	-	13,672	-
Total long-term debt	\$ 54,611,572	\$ 58,408,143	\$ 603,280	\$ 467,612	\$ 55,214,852	\$ 58,875,755

Carteret County, North Carolina

Management's Discussion and Analysis June 30, 2004

The County's total debt decreased by \$3,660,903 (excluding deferred amounts) or 6.2% during the past fiscal year. The decrease is due to principal payments during the year. In February 2004, the County refunded \$19,050,000 of 1995 and 1996 general obligation bonds. The amount of bonds issued for the advanced refunding is \$19,960,000.

The County's most recent bond ratings, received in connection with the advanced refunding in February 2004, are shown below:

Moody's Investor Services	Aa3
Standard & Poor's	Aa-
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 at June 30, 2004 for the County is \$557,589,335.

Additional information regarding the County's long-term debt can be found in Note 9 on pages 55 - 60 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the County. On June 30, 2004, the unemployment rate for the County averaged 4.66%, compared to the 5.30% for FY 2003. This compares favorably to the state's average unemployment rate of 5.99% for FY 2004. In addition, residential and commercial development continue to grow in the County. This growth has enabled the County to continue meeting its capital needs and demands for services without increasing the ad valorem tax rate for three years.

Budget Highlights for the Fiscal Year Ending June 30, 2005

Governmental Activities: The County has approved a \$58.96 million general fund budget for fiscal year 2005 which represents a \$1.62 million or 2.83% increase over fiscal year 2004. The increases are mostly in funding the public school system and the community college, other increases are in general government and human services. There is no ad valorem tax increase for the General Fund. Other revenues are budgeted conservatively and little growth was budgeted from the previous year. The FY 2005 fund balance appropriation for the General Fund is \$694,536.

Education is the largest service area in terms of its portion of total expenditures, totaling \$19,909,439 or 28.04% of the FY 2005 budget. This area includes funding for the public school system and the Carteret County Community College. Budgeted expenditures for education operating expenses increase \$359,886 which will increase the per pupil allocation to \$1,990. Capital improvements projects include \$838,000 for courthouse and administration building improvements, and \$300,000 for an independent assessment of the County's and School's buildings

Business – type Activities: The County's second phase of water line extension and expansion is budgeted for fiscal year 2005. The expansion is projected to increase the customer base by 900 accounts. The expansion should be completed in January 2006. This expansion is funded through a USDA loan.

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.

THIS PAGE WAS INTENTIONALLY LEFT BLANK

THIS PAGE WAS INTENTIONALLY LEFT BLANK

Carteret County, North Carolina

Statement of Net Assets
June 30, 2004

Assets	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 19,728,103	\$ 86,402	\$ 19,814,505
Receivables (net)	7,962,686	22,530	7,985,216
Due from component unit	156,421	-	156,421
Inventories	-	-	-
Prepaid items	-	-	-
Restricted assets:			
Cash and investments	2,796,058	-	2,796,058
Deferred charges, issuance cost	476,267	-	476,267
Other assets	-	-	-
Capital assets:			
Land, improvements, and construction in progress	3,485,821	610,047	4,095,868
Other capital assets, net of depreciation	20,222,726	4,386,133	24,608,859
Total capital assets	23,708,547	4,996,180	28,704,727
Total assets	54,828,082	5,105,112	59,933,194
Liabilities			
Accounts payable and accrued expenses	3,667,904	599,580	4,267,484
Accrued interest payable	649,201	5,201	654,402
Customer deposits	-	18,930	18,930
Due to primary government	-	-	-
Unearned revenue	16,999	-	16,999
Long-term liabilities:			
Due within one year	4,612,576	41,454	4,654,030
Due in more than one year	50,280,022	566,146	50,846,168
Total liabilities	59,226,702	1,231,311	60,458,013
Net Assets (Deficiency)			
Invested in capital assets, net of related debt	22,154,331	4,392,900	26,547,231
Restricted for:			
Public Safety	562,120	-	562,120
Economic Development	913,849	-	913,849
Cultural and Recreation	61,462	-	61,462
Register of Deeds	167,528	-	167,528
Human Services	863,342	-	863,342
Other purposes	-	-	-
Unrestricted (deficit)	(29,121,252)	(519,099)	(29,640,351)
Total net assets (deficiency)	\$ (4,398,620)	\$ 3,873,801	\$ (524,819)

See Notes to Financial Statements.

Component Units

Beaufort- Morehead City Airport Authority	Carteret County Tourism Development Authority	Carteret County General Hospital Corporation	Carteret County ABC Board
\$ 50,566	\$ 1,203,552	\$ 24,662,741	\$ 965,850
15,492	265,844	12,417,517	189
-	-	-	-
-	-	1,375,129	826,313
2,794	-	330,901	1,633
-	-	9,061,861	-
-	-	-	-
-	-	3,628,442	-
149,277	-	5,406,964	202,424
169,939	148,435	23,662,828	407,011
319,216	148,435	29,069,792	609,435
388,068	1,617,831	76,917,941	2,403,420
16,696	50,927	8,985,530	743,972
-	-	-	-
-	-	-	-
-	-	-	104,454
-	-	3,903,368	-
12,319	-	946,823	5,000
39,648	-	5,092,114	15,000
68,663	50,927	18,927,835	868,426
267,249	148,435	23,030,855	589,435
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
46,903	265,844	27,616	-
5,253	1,152,625	38,560,077	945,559
\$ 319,405	\$ 1,566,904	\$ 61,618,548	\$ 1,534,994

Carteret County, North Carolina

Statement of Activities
Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 3,700,481	\$ 1,753,299	\$ -	\$ -
Public safety	11,636,799	1,017,748	429,368	-
Transportation	669,794	86,426	181,118	96,365
Economic and physical development	4,271,109	9,323	144,564	2,203,754
Environmental protection	2,964,017	1,279,272	752,852	-
Human services	14,105,489	476,032	6,617,017	-
Cultural and recreation	4,260,435	181,048	25,893	-
Education	27,615,077	-	416,606	-
Interest on long-term debt	3,153,395	-	-	-
Total governmental activities	72,376,596	4,803,148	8,567,418	2,300,119
Business-type activities:				
Water	394,360	147,314	28,476	-
Total primary government	\$ 72,770,956	\$ 4,950,462	\$ 8,595,894	\$ 2,300,119
Component units				
Airport Authority	\$ 119,493	\$ 57,965	\$ 17,249	\$ 122,981
Tourism Development Authority	1,670,258	1,729,262	125,000	-
Hospital	68,304,518	71,710,887	143,906	-
ABC Board	5,784,574	5,850,307	-	-
Total component units	\$ 75,878,843	\$ 79,348,421	\$ 286,155	\$ 122,981

General revenues:

Taxes:

Property taxes, levied for general purpose

Local option sales tax

Other taxes and licenses

Permits and fees

Restricted intergovernmental

Unrestricted intergovernmental

Investment earnings, unrestricted

Miscellaneous, unrestricted

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning, as adjusted for accounting change (see Note 19)

Net assets, ending

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Assets			Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units			
Governmental Activities	Business-Type Activities	Total	Carteret County			
			Beaufort - Morehead City Airport Authority	Tourism Development Authority	Carteret County General Hospital Corporation	Carteret County ABC Board
\$ (1,947,182)	\$ -	\$ (1,947,182)				
(10,189,683)	-	(10,189,683)				
(305,885)	-	(305,885)				
(1,913,468)	-	(1,913,468)				
(931,893)	-	(931,893)				
(7,012,440)	-	(7,012,440)				
(4,053,494)	-	(4,053,494)				
(27,198,471)	-	(27,198,471)				
(3,153,395)	-	(3,153,395)				
(56,705,911)	-	(56,705,911)				
-	(218,570)	(218,570)				
(56,705,911)	(218,570)	(56,924,481)				
			\$ 78,702	\$ -	\$ -	\$ -
			-	184,004	-	-
			-	-	3,550,275	-
			-	-	-	65,733
			78,702	184,004	3,550,275	65,733
36,025,572	-	36,025,572	-	-	-	-
13,105,353	-	13,105,353	-	-	-	-
3,862,177	-	3,862,177	-	-	-	-
192,259	-	192,259	-	-	-	-
17,315	-	17,315	66,000	-	-	-
486,346	-	486,346	-	-	-	-
266,890	601	267,491	482	7,245	428,832	830
119,700	-	119,700	-	-	-	-
(70,000)	70,000	-	-	-	-	-
54,005,612	70,601	54,076,213	66,482	7,245	428,832	830
(2,700,299)	(147,969)	(2,848,268)	145,184	191,249	3,979,107	66,563
(1,698,321)	4,021,770	2,323,449	174,221	1,375,655	57,639,441	1,468,431
\$ (4,398,620)	\$ 3,873,801	\$ (524,819)	\$ 319,405	\$ 1,566,904	\$ 61,618,548	\$ 1,534,994

Carteret County, North Carolina

Balance Sheet - Governmental Funds
June 30, 2004

Assets	Governmental Fund Types		
	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and investments	\$ 16,631,227	\$ 5,828,953	\$ 22,460,180
Receivables, net	6,059,082	1,244,175	7,303,257
Due from other funds	322,439	-	322,439
Due from component units	156,421	-	156,421
Total assets	\$ 23,169,169	\$ 7,073,128	\$ 30,242,297
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 2,154,590	\$ 1,354,314	\$ 3,508,904
Due to other funds	-	322,439	322,439
Unearned revenue	16,999	-	16,999
Deferred revenue	1,671,079	228,851	1,899,930
Total liabilities	3,842,668	1,905,604	5,748,272
Fund balances:			
Reserved for Register of Deeds	167,528	-	167,528
Reserved for Recreation Districts	61,462	-	61,462
Reserved for Beach Nourishment	890,063	-	890,063
Reserved by State statute	4,559,818	1,015,324	5,575,142
Reserved for Sheriff's fund	35,085	-	35,085
Reserved for health programs	863,342	-	863,342
Unreserved:			
Designated for subsequent year's expenditures	694,536	3,142,539	3,837,075
Undesignated - General fund	12,054,667	-	12,054,667
Undesignated (deficit) - Special revenue funds	-	(672,314)	(672,314)
Undesignated - Capital projects funds	-	1,681,975	1,681,975
Total fund balance	19,326,501	5,167,524	24,494,025
Total liabilities and fund balance	\$ 23,169,169	\$ 7,073,128	\$ 30,242,297

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

Total fund balances for governmental funds	\$ 24,494,025
Capital assets used in governmental activities are financial resources and, therefore are not reported in the funds	23,708,547
Liabilities for earned but deferred revenues not in the fund statements	1,899,930
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	658,017
Deferred charges for 2003 COPS and 2004 General Obligation refunding Issuance cost	476,267
Internal service fund net assets	(93,607)
Accrued interest payable on long-term debt is not a current financial obligation and, therefore, is not in the funds	(649,201)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(54,892,598)
Net assets (deficiency) of governmental activities	\$ (4,398,620)

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds
 Year Ended June 30, 2004

	Governmental Fund Types		
	General	Other Governmental Funds	Total Governmental Funds
Revenue			
Ad valorem taxes	\$ 32,565,628	\$ 3,707,688	\$ 36,273,316
Other taxes and licenses	11,842,646	5,248,100	17,090,746
Permits and fees	2,618,847	-	2,618,847
Intergovernmental	9,447,833	2,226,069	11,673,902
Sales and services	1,862,663	-	1,862,663
Interest	180,842	86,048	266,890
Miscellaneous	223,359	-	223,359
Total revenue	58,741,818	11,267,905	70,009,723
Expenditures			
Current:			
General government	3,438,530	-	3,438,530
Public safety	5,964,073	5,330,568	11,294,641
Transportation	579,790	-	579,790
Environmental protection	2,958,295	-	2,958,295
Economic and physical development	1,188,753	3,050,014	4,238,767
Human services	13,719,420	-	13,719,420
Culture and recreation	2,007,580	-	2,007,580
Education	17,976,423	-	17,976,423
Capital outlay	-	12,112,063	12,112,063
Debt service:			
Principal retirement	4,706,571	-	4,706,571
Interest and fees	2,528,184	-	2,528,184
Bond issuance costs	130,978	-	130,978
Total expenditures	55,198,597	20,492,645	75,691,242
Revenue over (under) expenditures	3,543,221	(9,224,740)	(5,681,519)
Other financing sources (uses)			
Transfers in	826,902	2,588,465	3,415,367
Transfers out	(1,793,649)	(1,691,718)	(3,485,367)
Proceeds of refunding bonds	21,215,898	-	21,215,898
Payment to refunded bond escrow agent	(21,079,633)	-	(21,079,633)
Total other financing sources (uses)	(830,482)	896,747	66,265
Net change in fund balance	2,712,739	(8,327,993)	(5,615,254)
Fund balances			
Beginning, as adjusted for accounting change (Note 19)	16,613,762	13,495,517	30,109,279
Ending	\$ 19,326,501	\$ 5,167,524	\$ 24,494,025

See Notes to Financial Statements.

Carteret County, North Carolina

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
Year Ended June 30, 2004

Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances - total governmental funds	\$	(5,615,254)
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		928,587
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		(247,744)
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		4,286,112
Some expenses including depreciation that are reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		(2,052,000)
Total changes in net assets of governmental activities	\$	(2,700,299)

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund
Year Ended June 30, 2004

	General Fund			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenue				
Ad valorem taxes	\$ 31,911,247	\$ 32,195,247	\$ 32,565,628	\$ 370,381
Other taxes and licenses	10,922,000	10,988,500	11,842,646	854,146
Permits and fees	1,891,500	2,060,453	2,618,847	558,394
Intergovernmental	8,485,160	9,857,682	9,447,833	(409,849)
Sales and services	1,945,710	1,740,157	1,862,663	122,506
Interest	260,000	260,000	180,842	(79,158)
Miscellaneous	80,768	241,174	223,359	(17,815)
Total revenue	55,496,385	57,343,213	58,741,818	1,398,605
Expenditures				
Current:				
General government	3,885,445	3,729,236	3,438,530	290,706
Public safety	5,670,881	6,167,365	5,964,073	203,292
Transportation	617,734	618,597	579,790	38,807
Environmental protection	2,374,330	2,983,625	2,958,295	25,330
Economic and physical development	1,612,392	1,564,997	1,188,753	376,244
Human services	14,086,983	14,526,781	13,719,420	807,361
Culture and recreation	2,175,279	2,172,039	2,007,580	164,459
Education	17,957,603	17,976,433	17,976,423	10
Nondepartmental	631,497	-	-	-
Debt service:				
Principal retirement	4,342,000	4,707,000	4,706,571	429
Interest and fees	2,870,350	2,514,998	2,528,184	(13,186)
Bond issuance costs	-	128,177	130,978	(2,801)
Total expenditures	56,224,494	57,089,248	55,198,597	1,890,651
Revenue over (under) expenditures	(728,109)	253,965	3,543,221	3,289,256
Other financing sources (uses)				
Transfers in	882,201	707,201	826,902	119,701
Transfers out	(813,682)	(1,793,649)	(1,793,649)	-
Proceeds of refunding bonds	-	21,267,580	21,215,898	(51,682)
Payment to refunded bond escrow agent	-	(21,129,755)	(21,079,633)	50,122
Contingency reserves	-	(142,122)	-	142,122
Appropriated fund balance	659,590	836,780	-	(836,780)
Total other financing sources (uses)	728,109	(253,965)	(830,482)	(576,517)
Revenue and other financing sources over (under) expenditures and other uses	\$ -	\$ -	2,712,739	\$ 2,712,739
Fund balances				
Beginning, as adjusted for accounting change (Note 19)			16,613,762	
Ending			<u>\$ 19,326,501</u>	

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Fund Net Assets - Proprietary Funds
June 30, 2004

Assets	Water Fund	Internal Service Fund
Current Assets		
Cash	\$ 86,402	\$ 63,981
Receivables, net	22,530	1,412
Total current assets	<u>108,932</u>	<u>65,393</u>
Noncurrent Assets		
Capital assets:		
Land, improvements, and construction in progress	610,047	-
Other capital assets, net of depreciation	4,386,133	-
Total capital assets	<u>4,996,180</u>	<u>-</u>
Total noncurrent assets	<u>4,996,180</u>	<u>-</u>
Total assets	<u>5,105,112</u>	<u>65,393</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	603,900	159,000
Customer deposits	18,930	-
Accrued interest payable	5,201	-
Total current liabilities	<u>628,031</u>	<u>159,000</u>
Long-Term Liabilities		
Lease payable	13,672	-
Installment loan payable	589,608	-
Total long-term liabilities	<u>603,280</u>	<u>-</u>
Total liabilities	<u>1,231,311</u>	<u>159,000</u>
Net Assets		
Invested in capital assets, net of related debt	4,392,900	-
Unrestricted (deficit)	(519,099)	(93,607)
Total net assets (deficiency)	<u>\$ 3,873,801</u>	<u>\$ (93,607)</u>

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds
 Year Ended June 30, 2004

	Water Fund	Internal Service Fund
Operating revenues		
Charges for services	\$ 147,314	\$ 1,731,477
Intergovernmental, state reimbursements	28,476	-
Total operating revenues	<u>175,790</u>	<u>1,731,477</u>
Operating expenses		
Water plant operations	222,742	-
Depreciation	149,917	-
Health insurance claims	-	1,825,084
Total operating expenses	<u>372,659</u>	<u>1,825,084</u>
Operating loss	<u>(196,869)</u>	<u>(93,607)</u>
Nonoperating revenues (expenses)		
Interest revenue	601	
Interest expense	(21,701)	
Total nonoperating revenue (expenses)	<u>(21,100)</u>	<u>-</u>
Loss before transfers	(217,969)	(93,607)
Transfers:		
Transfers in	70,000	-
Change in net assets	<u>(147,969)</u>	<u>(93,607)</u>
Total net assets		
Beginning	4,021,770	-
Ending	<u>\$ 3,873,801</u>	<u>\$ (93,607)</u>

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2004

	Water Fund	Internal Service Fund
Cash Flows From Operating Activities		
Cash received from customers	\$ 221,438	\$ 1,730,065
Cash received from state reimbursements	28,476	-
Cash paid for goods and services	(269,752)	(1,666,084)
Cash paid to employees for services	(93,752)	-
Customer deposits received	12,140	-
Net cash provided by (used in) operating activities	<u>(101,450)</u>	<u>63,981</u>
Cash Flows From Noncapital Financing		
Transfers in	<u>70,000</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities		
Proceeds from installment loans	121,996	-
Principal paid on capital lease	(4,395)	-
Interest paid on installment debt and capital lease	(18,844)	-
Acquisition and construction of capital assets	(70,121)	-
Net cash provided by capital and related financing activities	<u>28,636</u>	<u>-</u>
Cash Flows From Investing Activities		
Interest on investments	<u>601</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(2,213)	63,981
Cash and cash equivalents:		
July 1, 2003	88,615	-
June 30, 2004	<u>\$ 86,402</u>	<u>\$ 63,981</u>

(Continued)

Carteret County, North Carolina

Statement of Cash Flows - Proprietary Funds (Continued)
 Year Ended June 30, 2004

	Water Fund	Internal Service Fund
Reconciliation of Operating Loss to Net Cash		
Provided by (Used in) Operating Activities		
Operating loss	\$ (196,869)	\$ (93,607)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	149,917	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	74,124	(1,412)
Increase (decrease) in accounts payable and accrued liabilities	(140,762)	159,000
Increase in customer deposits	12,140	-
Net cash provided by (used in) operating activities	\$ (101,450)	\$ 63,981
Supplemental Schedule of Noncash Investing, Capital and Financing Activities		
Acquisition of capital asset under capital lease	\$ 18,546	\$ -
Accounts payable used for capital assets	\$ 556,372	\$ -

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Fiduciary Net Assets - Fiduciary Funds
June 30, 2004

Assets	Agency Funds
Cash and cash equivalents	<u>\$ 47,423</u>
 Liabilities	
Accounts payable and accrued liabilities	<u>\$ 47,423</u>

See Notes to Financial Statements.

Carteret County, North Carolina

Notes to Financial Statements

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

Nature of operations

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

Reporting entity

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

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

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

Carteret County Tourism Development Authority: The Carteret County Tourism Development Authority is an entity created by resolution of the Carteret County Board of Commissioners for the purpose of management of the promotion and development of tourism in Carteret County. The County does not have authority to designate management of the Authority nor remove board members of the Authority. However, the Authority must submit its annual budget and subsequent budget amendments to the Board of County Commissioners for approval and receives substantially all its revenue from an occupancy tax implemented, and revocable, by the County Commissioners. The TDA has a June 30 year-end.

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

Carteret County, North Carolina

Notes to Financial Statements

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

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

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

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

The following corporation is included as a blended component:

County of Carteret Public Facilities Financing Corporation: The County of Carteret Public Facilities Financing Corporation is a nonprofit corporation. The "Corporation" was organized and shall be operated exclusively for the purpose of providing debt financing for the County, to fulfill various statutory obligations involving but not limited to, purchase and sale, construction and/or lease of real estate and improvements, facilities, and equipment. The Corporation has a three-member board of directors who are established through the bylaws of the Articles of Incorporation and will consist of the County Manager, Deputy Clerk to the Board, and Chair of the County Commissioners. The County has entered into Construction and Repayment Contracts with the corporation. The corporation's assets, fund balance, revenue and expenditures have been included in the County Capital Improvements Fund at June 30, 2004.

Summary of significant accounting policies

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

Basis of presentation

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

Notes to Financial Statements

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

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

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

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

The County reports the following major governmental 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.

The County reports the following major enterprise fund:

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

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

The County reports the following fiduciary fund:

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

Notes to Financial Statements

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

Measurement focus and basis of accounting

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

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

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

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

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 is 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 expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Notes to Financial Statements

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as 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 2003 through February 2004 apply to the fiscal year ended June 30, 2004. 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 2004-2005 and are not shown as receivables at June 30, 2004. 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, 2004 because they are intended to finance the County's operations during the 2005 fiscal year.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues, and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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

Government-wide and proprietary fund financial statements follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Notes to Financial Statements

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

Budgets and budgetary accounting: An annual budget is adopted on the modified accrual basis for the general fund, the special revenue funds (excluding CDBG Laurel Road Fund and the 1998 Bonnie DRI Grant Fund), the capital projects funds (excluding the Newport Middle COPS Fund, Health Center Renovations Fund, Beaufort Elementary School Project, Western Library Fund, and Carteret Community College Fund) and the Water Operating Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for those capital projects funds and special revenue funds which do not adopt annual budgets and water construction projects. In accordance with the Local Government Budget and Fiscal Control Act, the County follows these procedures in establishing the budgetary data reflected in the financial report:

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

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

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

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

Carteret County, North Carolina

Notes to Financial Statements

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

The County's money market investments with a maturity of more than one year at acquisition and nonmoney-market investments are carried at fair value as determined by quoted market prices. The 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 nonparticipating interest earnings and investment contracts are reported at amortized cost.

Cash and cash equivalents: The County pools money from several funds to facilitate disbursement and investment and 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 component units include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired.

Restricted cash and investments: Certain proceeds of debt issuances are classified as restricted cash and investments because their use is limited by applicable debt instruments.

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

The property tax calendar for Carteret County, North Carolina according to North Carolina general statutes is as follows:

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

The taxes for the current fiscal year are generally based on January 1, 2003 assessed values.

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

Inventories and prepaid items: 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.

Notes to Financial Statements

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

Capital assets: Capital assets of the County are not capitalized in the governmental fund used to acquire or construct them. Instead, capital acquisitions and construction are reflected as expenditures in governmental funds, and capitalized and reported in the government-wide financial statements as capital assets of governmental activities. Capital assets are capitalized in proprietary fund financial statements and in business-type activities of the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. 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 capital asset or materially extend assets' lives are not capitalized. Also, the County has elected not to capitalize interest costs as a component of the cost of capital assets constructed for its use in governmental activities.

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

Capital assets of the Hospital, the ABC Board and the Tourism Development Authority are recorded at original cost at the time of acquisition. Capital assets donated to these entities for operations are recorded at the estimated fair market value at the date of donation. Any interest incurred during the construction phase of the capital assets of the Hospital or the ABC Board is reflected in the capitalized value of the asset constructed. The Airport Authority does not own any real property but utilizes facilities provided by the County. All airport capital 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.

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

	<u>Useful Lives</u>
Buildings and improvements	10 - 40 years
Furniture and equipment	4 - 20 years
Improvements other than building	5 - 20 years

Carteret County, North Carolina

Notes to Financial Statements

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

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

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

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

Amortization of bond issuance costs: Bond issuance costs incurred are 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 and are accounted for on a LIFO basis, assuming that employees are taking time as it is earned.

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

Long-term obligations: In the government-wide financial statements and in the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

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

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

Notes to Financial Statements

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

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

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

Net assets/Fund balances:

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

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

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

The governmental funds classify fund balances as follows:

Reserved

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

Unreserved

- Designated – 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, 2004.

Carteret County, North Carolina

Notes to Financial Statements

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

Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$28,892,645 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	\$ 39,656,266
Less accumulated depreciation	15,947,719
Net capital assets	<u>23,708,547</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	658,017
Deferred charges for 2003 COPS Issuance costs and 2004 General Obligation Issuance costs	476,270
Liabilities for revenue deferred but earned therefore recorded in the fund statements but not in the government-wide statements	1,899,930
Internal service fund is used for self-insured health insurance costs to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets	(93,610)
Accrued interest is not due and payable in the current period and therefore is not reported in the funds	(649,201)
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	(54,611,572)
Premiums on refundings	(1,224,500)
Deferred charges	1,532,118
Discount on refundings	140,792
Compensated absences	(616,261)
Accrued net pension obligation	(113,175)
Total adjustment	<u>\$ (28,892,645)</u>

Notes to Financial Statements

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

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

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balance – 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 \$2,914,955 as follows:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 928,587
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	(1,600,768)
Net amount of refunded debt issued during the year and payment escrow agent that is recorded as a source and use of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statements	(21,215,898)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements. Amounts also include bond issuance costs and unamortized charge	25,552,010
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(24,458)
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	(25,542)
Increase in interest payable on long term debt at June 30, 2004	(123,636)
Internal service fund is used for self-insured health insurance costs to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets	(93,607)
Loss on disposal of capital assets	(66,747)
Amortization expense	(167,242)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Reversal of deferred tax revenue recorded at July 1, 2003	(2,095,493)
Recording of tax receipts deferred in the fund statements as of June 30, 2004	1,899,930
Decrease in accrued interest on taxes receivable for year ended June 30, 2004	(52,181)
Total adjustment	\$ 2,914,955

Notes to Financial Statements

Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (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, 2004, the CDBG 2003 Scattered Site Fund had a deficit in fund balance of \$827. The County will transfer funds from the General Fund to rectify the deficit in fund balance.

Expenditure in excess of appropriations in General Fund:

The debt service category has expenditures in excess of appropriations by \$15,558.

Note 3. Cash and Investments

Cash on hand

The County had \$1,503 in petty cash on hand at June 30, 2004.

Component unit information

Carteret County General Hospital had \$2,678 in cash on hand at September 30, 2003.

The ABC Board has \$6,800 in cash on hand at June 30, 2004.

Deposits:

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

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.

Carteret County, North Carolina

Notes to Financial Statements

Note 3. Cash and Investments (Continued)

At June 30, 2004, the County's deposits had a carrying amount of \$1,472,301 and a bank balance of \$1,947,208. Of the bank balance, \$400,000 was covered by federal depository insurance and \$1,547,208 was covered by collateral held under the Pooling Method. Restricted cash in the amount of \$510,000 was being held in noninterest-bearing deposits for banking services. In the Capital Projects Funds there was restricted cash of \$524,285 for County Capital Improvements.

Component unit information

At June 30, 2004, the carrying amount of deposits for Tourism and Development Authority was \$444,506 and the bank balance was \$495,089. Of the bank balance of the Authority, \$100,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

At June 30, 2004, the carrying amount of deposits for Beaufort-Morehead City Airport Authority was \$50,566 and the bank balance was \$54,888. The bank balance of the Authority was fully covered by federal depository insurance.

At September 30, 2003, the carrying amount of the Hospital's deposits was \$33,721,924 and the bank balance was \$34,336,356. 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, 2004, the carrying amount of deposits for Carteret County ABC Board was \$959,050 and the bank balance was \$947,710. All of the bank balance was covered by federal depository insurance.

Investments

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-part 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, 2004, the County's investment balances were categorized as to custodial risk as follows:

	Category			Reported Value	Fair Value
	A	B	C		
Government Agencies	\$ 9,984,127	\$ -	\$ -	\$ 9,984,127	\$ 9,984,127
North Carolina Capital Management Trust*				11,200,055	11,200,055
				<u>21,184,182</u>	<u>21,184,182</u>
Less:					
Restricted investments*				1,761,773	1,761,773
Unrestricted investments				<u>\$ 19,422,409</u>	<u>\$ 19,422,409</u>

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

Carteret County, North Carolina

Notes to Financial Statements

Note 3. Cash and Investments (Continued)

At June 30, 2004, the County had restricted investments of \$1,761,773. In the Capital Projects Funds there are restricted investments of \$56 for the construction of the Newport Middle School, \$1,136,595 for the construction of additions to Carteret Community College, and \$625,122 for the construction of the Western Library and Beaufort Elementary School.

Component unit information

At June 30, 2004, the Tourism and Development Authority had investments in the North Carolina Capital Management Trust which are exempt from risk categorization because the Authority does not own any identifiable security but is a shareholder of a percentage of the fund.

	Reported Value	Fair Value
North Carolina Capital Management Trust	<u>\$ 759,046</u>	<u>\$ 759,046</u>

Note 4. Receivables

Receivables at the government-wide level are comprised of the following major categories as of June 30, 2004:

	General	Nonmajor Governmental	Business-Type Activity, Water	Total
Receivables:				
Interest	\$ 609,745	\$ 48,272	\$ -	\$ 658,017
Taxes	2,097,864	324,146	-	2,422,010
Accounts	-	628,065	22,530	650,595
Intergovernmental	3,993,840	367,728	-	4,361,568
Other	584,118	20,942	-	605,060
Gross receivables	<u>7,285,567</u>	<u>1,389,153</u>	<u>22,530</u>	<u>8,697,250</u>
Less allowance for uncollectibles	(616,740)	(95,294)	-	(712,034)
Net total receivables	<u>\$ 6,668,827</u>	<u>\$ 1,293,859</u>	<u>\$ 22,530</u>	<u>\$ 7,985,216</u>

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

Certificates of Participation

The County issues Certificates of Participation to finance the construction of capital facilities used for general government activities. These obligations are serviced by the General Fund.

2002 certificates of participation due on December 1 and June 1 in varying installments through June 1, 2022, interest at varying rates collateralized by the Western Library and the Beaufort Elementary School \$ 11,600,000

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 10,800,000
\$ 22,400,000

Annual debt service payments to maturity as of June 30, 2004 are as follows:

Year Ending June 30,	Principal	Interest
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	1,310,000	756,834
2010-2014	6,390,000	2,914,269
2015-2019	5,850,000	1,432,544
2020-2023	2,055,000	166,894
	<u>\$ 22,400,000</u>	<u>\$ 8,915,129</u>

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

Governmental activities (serviced by the General Fund):

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% \$ 116,572
Renovations of building purchased for health center for 10 consecutive annual installments, beginning in fiscal year 2002-2003, including interest at 4.510% 2,400,000
2,516,572

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

Construction of water treatment and distribution facilities for 19 consecutive annual installments, beginning in fiscal year 2004-2005, including interest at 2.6% 589,608
\$ 3,106,180

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

Annual debt service requirements to maturity for installment financing at June 30, 2004 are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 416,572	\$ 102,810	\$ 31,032	\$ 33,902	\$ 447,604	\$ 136,712
2006	300,000	87,990	31,032	32,118	331,032	120,108
2007	300,000	75,420	31,032	30,334	331,032	105,754
2008	300,000	62,850	31,032	28,549	331,032	91,399
2009	300,000	50,280	31,032	26,765	331,032	77,045
2010-2014	900,000	75,420	155,160	107,060	1,055,160	182,480
2015-2019	-	-	155,160	62,452	155,160	62,452
2020-2023	-	-	124,128	17,843	124,128	17,843
	<u>\$ 2,516,572</u>	<u>\$ 454,770</u>	<u>\$ 589,608</u>	<u>\$ 339,023</u>	<u>\$ 3,106,180</u>	<u>\$ 793,793</u>

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2004:

	Beginning Balance June 30, 2003	Additions	Retirements	Ending Balance June 30, 2004	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 31,050,000	\$ 19,960,000	\$ 21,315,000	\$ 29,695,000	\$ 2,045,000
Certificates of participation	24,285,000	-	1,885,000	22,400,000	1,855,000
Less deferred amounts:					
Advance refunding charge	-	(1,664,492)	(132,374)	(1,532,118)	-
Issuance discounts	(176,250)	-	(35,458)	(140,792)	-
Premium on refunding	-	1,255,898	31,398	1,224,500	-
Total bonds payable	<u>55,158,750</u>	<u>19,551,406</u>	<u>23,063,566</u>	<u>51,646,590</u>	<u>3,900,000</u>
Installment purchase obligation	3,073,143	-	556,571	2,516,572	416,572
Compensated absences	591,803	601,358	576,900	616,261	296,004
Separation allowance pension obligations	87,633	25,542	-	113,175	-
Governmental activity long-term liabilities	<u>\$ 58,911,329</u>	<u>\$ 20,178,306</u>	<u>\$ 24,197,037</u>	<u>\$ 54,892,598</u>	<u>\$ 4,612,576</u>
Business-type activities:					
Installment purchase obligations	\$ 467,612	\$ 121,996	\$ -	\$ 589,608	\$ 31,032
Compensated absences	414	5,507	1,601	4,320	4,320
Capital lease	-	18,067	4,395	13,672	6,102
Business-type activity long-term liabilities	<u>\$ 468,026</u>	<u>\$ 145,570</u>	<u>\$ 5,996</u>	<u>\$ 607,600</u>	<u>\$ 41,454</u>

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, 2004 amounts to \$557,589,335.

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

Conduit debt obligations

Carteret County Industrial Facility and Pollution Control Authority has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2004, the outstanding principal amount payable was \$9,000,000.

Advance refunding

On March 9, 2004, the County issued \$19,960,000 in general obligation refunding bonds to provide resources to purchase U.S. Government securities that were placed in irrevocable trust for the purpose of general resources for future debt service payments of the following outstanding debt issues:

1995 Public Improvement Bonds for Senior Center and County School upgrades and renovations	\$ 5,400,000
1996 School General Obligation Bonds	<u>13,650,000</u>
	<u>\$ 19,050,000</u>

As a result, the refunded bonds are considered to be defeased and the liability for the refunded bonds has been removed from the governmental activities column of the statement of net assets.

The advance refunding resulted in an unamortized charge of \$1,664,492 in the governmental activities. The unamortized charge is reported as a deduction in long-term liabilities and charged to operations using the proportionate-to-stated-interest method. The advance refunding was undertaken to reduce total debt service payments over the next thirteen years of \$1,609,122 and to obtain an economic gain of \$1,335,512.

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, 2003, the outstanding balance on the note was \$4,800,000.

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

Scheduled principal repayments are as follows:

Year Ending June 30,	Amount
2004	\$ 600,000
2005	600,000
2006	600,000
2007	600,000
2008	600,000
2009 - 2011	1,800,000
	<u>\$ 4,800,000</u>

The Tourism and Development Authority had accrued compensated absences as a long-term debt at June 30, 2004 in the amount of \$15,169.

The ABC Board entered into a \$25,000 installment loan payable agreement with a bank during the year ended June 30, 2003. Monthly installments of \$417 including interest at 0.0% per annum are due through July 2008. The asset of the ABC Board used to collateralize the installment loan payable is a vehicle.

Aggregate maturities of long-term debt are as follows:

Year Ending June 30,	Amount
2005	\$ 5,000
2006	5,000
2007	5,000
2008	5,000
	<u>\$ 20,000</u>

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 debt service payments for the installment purchase contract as of June 30, 2004, including \$5,361 of interest, are as follows:

Year Ending June 30,	Amount
2005	\$ 14,637
2006	14,637
2007	14,637
2008	13,417
	<u>\$ 57,328</u>

Notes to Financial Statements

Note 10. Retirement Systems

North Carolina Local Governmental Employees' Retirement System

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

Funding policy: Plan members are required to contribute six percent of their annual covered salary. The County and the ABC Board are required to contribute at an actuarially determined rate. For the County and the ABC Board, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.91% and 4.78%, respectively, of annual covered payroll. The 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, 2004, 2003, and 2002 were \$480,040, \$464,908 and \$475,013, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2004, 2003, and 2002 were \$26,382, \$26,386 and \$26,917, respectively. The contribution made by the County and the ABC Board equaled the required contributions for each year.

Law Enforcement Officers Special Separation Allowance

1. Plan Description

Carteret County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service.

The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time County law enforcement officers are covered by the System. At December 31, 2003 the System's membership consisted of:

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

Carteret County, North Carolina

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

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

2. Summary of Significant Accounting Policies

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

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

3. Contributions

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

The annual required contribution for the current year was determined as part of the December 31, 2003 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	\$ 23,997
Interest on net pension obligation	6,353
Adjustment to annual required contribution	(4,808)
Annual pension cost	<u>25,542</u>
Employer contributions made for fiscal year ended June 30, 2004	-
Increase in net pension obligation	<u>25,542</u>
Net pension obligation, beginning of fiscal year	87,633
Net pension obligation, end of fiscal year	<u>\$ 113,175</u>

Carteret County, North Carolina

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

Trend Information

The ARC (annual required contribution) and the percent of ARC contributed for the last 2 years is not significantly different than the trend information presented.

Actuarial Valuation Date	Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
12/31/2001	6/30/2002	\$ 24,322	\$ -	\$ 61,603
12/31/2002	6/30/2003	26,030	-	87,633
12/31/2003	6/30/2004	25,542	-	113,175

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)
12/31/1998	\$ -	\$ 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%
12/31/2003	-	179,265	179,265	0.00%	1,203,410	14.90%

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, 2004 were \$68,759, which consisted of \$59,132 from the County and \$9,627 from law enforcement officers. Contributions from the ABC Board for June 30, 2004 consisted of \$1,593 from the Board and \$2 from the law enforcement officers.

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

Supplemental Retirement Income Plan for General Employees

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

Funding policy: The County has voluntarily elected to contribute each month an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2004 were \$643,822, which consisted of \$431,272 from the County and \$212,550 from the employees.

Registers of Deeds' Supplemental Pension Fund

Plan description: Carteret County also contributes to the Registers of Deeds' Supplemental Pension Fund ("Fund"), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any county register of deeds who is retired under the LGERS or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding policy: On a monthly basis, the County remits to the Department of State Treasurer an amount equal to 4.5% of the monthly receipts collected pursuant to Article 1 of G.S. Chapter 161. Immediately following January 1 of each year, the Department of State Treasurer divides 93% of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining 7% of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2004, the County's required and actual contributions were \$38,271.

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, 2003 and 2002 totaled \$1,446,156 and \$1,362,216, respectively.

Carteret County Tourism Development Authority Retirement Plan

The Authority has set up a simplified employee pension - Individual Retirement Account for each of its full-time employees who have worked eight months of the immediately preceding five years. The contribution is four percent of salary for qualifying employees. The Authority's contribution amount for the fiscal year ended June 30, 2004 was \$5,625.

Notes to Financial Statements

Note 11. Other Post-Employment Benefits

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

The County 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 multiemployer, State administered, cost-sharing plan funded on a one-year term cost basis. Lump-sum death benefits are provided to beneficiaries of those employees: 1) who die in active service after one year of contributing membership in the System, or 2) who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employees' death, but the benefit 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, 2004, the County made contributions to the State for death benefits of \$11,144. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .11% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount.

Note 12. Additional Social Welfare Expenditures

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

	Federal	State
Food Stamps	\$ 3,061,327	\$ -
Medicaid	30,616,669	13,533,843
TANF and Work First	403,246	-
WIC	778,645	-
Special Assistance	-	359,128
	<u>\$ 34,859,887</u>	<u>\$ 13,892,971</u>

Carteret County, North Carolina

Notes to Financial Statements

Note 13. Joint Ventures

The County, in conjunction with Craven County and Pamlico County, participates in the Coastal Regional Solid Waste Management Authority. Carteret County appoints two members of the seven-member board. The Authority is a joint venture established to provide solid waste management within these counties. The County has an ongoing financial responsibility for the Authority because it and the other counties are legally obligated under the intergovernmental agreement that created the Authority to honor any deficiencies in the event that proceeds from other sources are insufficient. The County did not contribute any funds to the Authority during the fiscal year ended June 30, 2004. 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, 2004. Complete financial statements for the Authority can be obtained from the Authority's administrative offices at 7400 Old Highway 70 West, Cove City, North Carolina 28523.

The County, in conjunction with 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, 2004. The County appropriated \$216,267 to the Center during the fiscal year ended June 30, 2004 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.

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 \$1,420,515 to the Community College during the fiscal year ended June 30, 2004. 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, 2004. Complete financial statements for the Community College may be obtained from the Community College's administrative offices at 3505 Arendell Street, Morehead City, North Carolina 28557.

Component unit information

The Hospital is a member of a limited liability company with two other area healthcare providers. According to the operating agreement of the joint venture, the Hospital acquired a one-third interest by contributing capital of \$1,000. In addition to the \$1,000, the Hospital has contributed \$175,000 to fund start-up costs. The limited liability company was organized to help represent the area healthcare providers on a larger scale. The investment in the joint venture of \$191,903 and \$202,151 for the years ended September 30, 2003 and 2002, respectively, is accounted for under the equity method and is included in other assets in the statements of net assets. During 2003, the Hospital's share of the (loss) [unaudited] is (\$10,248) and is included in nonoperating income.

Notes to Financial Statements

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, 2004. During the year ended June 30, 2004, the County appropriated \$630,000 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.

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, 2004, 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.

Carteret County, North Carolina

Notes to Financial Statements

Note 15. Commitments and Contingencies (Continued)

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, 2003, 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 the 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, 2003, the amount of potential settlement cannot be reasonably estimated.

The Hospital is involved in two construction projects at September 30, 2003. This first project is substantially complete at September 30, 2003. The remaining construction is expected to be completed by February 2004. Total estimated cost of this project is \$500,000. At September 30, 2003 cost incurred totaled \$460,000. 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, 2003 costs incurred totaled approximately \$3,576,000.

Note 16. Interfund and Intra-Entity 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, 2004	\$ 307,045
	Beaufort Elementary School Fund:	
	Amounts due to General Fund due to timing of draw down on the Beaufort Elementary School Project	3,668
	Carteret Community College Fund:	
	Amounts due to General Fund due to timing of draw down on the Carteret Community College Fund	10,899
	2003 CDBG Scattered Site Fund:	
	Amounts due to General Fund due to timing of draw downs	827
		<u>\$ 322,439</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	\$ 51,967
	Carteret County ABC Board	
	Net income distribution due to County at June 30, 2004	104,454
		<u>\$ 156,421</u>

Carteret County, North Carolina

Notes to Financial Statements

Note 17. Interfund Transfers and Intra-Entity Transactions With Component Units

Transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended are recorded as 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.

Interfund transfers for the year ended June 30, 2004 are as follows:

Transfers Out	Transfers In				Total
	Major General	Major Water Fund	Non-Major Special Revenue Funds	Non-Major Capital Project Funds	
Major General Fund	\$ -	\$ 70,000	\$ 39,000	\$ 1,684,649	\$ 1,793,649
Non-Major Special Revenue Funds	796,902	-	-	-	796,902
Non-Major Capital Project Funds	30,000	-	-	-	30,000
Total transfers out	\$ 826,902	\$ 70,000	\$ 39,000	\$ 1,684,649	\$ 2,620,551

Transfers consist primarily of the following:

\$ 1,793,649	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
25,000	Reimburse public works for putting up street signs.
730,359	Transfer from Occupancy Tax Fund in accordance with North Carolina General Statutes
41,300	Transfer from Occupancy Tax Fund for reimbursement in accordance with North Carolina General Statutes
30,000	Transfer from Newport Middle COPS Fund to the general fund for arbitrage rebate and calculation
243	Transfer from DRI Grant 1998 Bonnie Fund to close out to the general fund

Intra-entity transactions with discretely presented component units for the year ended June 30, 2004 are as follows:

Expenditures from General Fund to Beaufort-Morehead City Airport Authority for operations	\$ 66,000
Expenditures from Occupancy Room Tax Fund to Carteret County Tourism Development Authority for portion of Room Occupancy Tax	1,727,184
	<u>\$ 1,793,184</u>
Profit Contributions from ABC Board to General Fund	\$ 269,285

Carteret County, North Carolina

Notes to Financial Statements

Note 18. Pronouncements Issued, Not Yet Effective

The GASB has issued several pronouncements effective for years ending after June 30, 2004 that may impact future financial presentations.

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

- GASB Statement Number 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*.
- GASB Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Additionally, the Governmental Accounting Standards Board issued Statement Number 40, *Deposit and Investment Risk Disclosures-an amendment of GASB Statement No. 3* and Statement Number 44, *Economic Condition Reporting: The Statistical Section* which amends portions of previous guidance related to the preparation of a statistical section when presented as a required part of a CAFR.

Note 19. Accounting Change

During the fiscal year ended June 30, 2004, the State of North Carolina changed the distribution method for local option sales taxes that it collects on behalf of local governments. These taxes are now distributed on a monthly rather than quarterly basis. Taxes on sales for the month of June 2004 will be distributed by the State on or around September 15, 2004.

In accordance with GASB Statement No. 33, all of these items are considered to be receivables as of June 30, 2004. The County will recognize the June 2004 tax revenues as revenue of the fiscal year ended June 30, 2004 in its government-wide statements. The County has also decided to consider revenues available for payment of current year-end liabilities if collected within 90 days after year-end, other than property taxes, in its governmental fund statements. The County has previously considered only revenues collected within 60 days of year-end as available in the governmental fund statements.

The September 15, 2004 distributions of these taxes are recognized as revenues for the 2004 fiscal year. If this policy had been in effect for the 2003 fiscal year, ending net assets of the Governmental Activities would have been (\$1,698,321) and fund balance of the General Fund would have been \$16,613,762, each of which is \$1,135,422 higher than was previously reported. The beginning net assets of the Governmental Activities and the fund balance of the General Fund for the 2004 fiscal year have been amended to those amounts. Had this change been effective at June 30, 2002, the 2003 changes in net assets and changes in fund balances would not have been significantly different.

Notes to Financial Statements

Note 20. Subsequent Events

On August 4, 2004, the County entered into a \$2,800,000 loan for the North Carolina Drinking Water State Revolving Fund with the North Carolina Department of Environment and Natural Resources – Division of Environmental Health. The County obtained the loan to fund Phase II of the Hwy 101 Water Project in the business type activities. Interest rate on the loan is 2.205%, the first principal and interest payment is due no earlier than six months after the completion of the project and shall be repaid in 20 annual installments on May 1, interest will be due semiannually, payable on May 1 and November 1.

Component unit information

Beaufort-Morehead City Airport Authority

Early in fiscal year 2004/05, the board authorized a contract for certain construction work at the airport in anticipation of receiving reimbursement for the work under the State Aid to Airports grant program. The funds for the State Aid to Airports pass through the state government from the federal government. After completion of the work, the bills were submitted to the appropriate state agency for reimbursement. However, it became apparent that the contract for the work has been approved without the governing board complying with appropriate bid procedures. As a result, the request for reimbursement was denied.

The Airport sought assistance from Carteret County. The result was the refinancing of the existing hangar loan with the County and the addition of approximately \$140,000 to the loan balance, and restructuring the loan terms to provide for interest at a rate of 3.9% and a payment term of 10 years beginning November 2004.

Carteret County, North Carolina

General Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
 Year Ended June 30, 2004
 (Page 1 of 8)

	Final Budget	Actual	Variance Positive (Negative)
Revenue			
Ad valorem taxes:			
Current period	\$ 30,984,247	\$ 31,217,820	\$ 233,573
Prior years	970,000	1,044,756	74,756
Interest and penalties	241,000	303,052	62,052
	<u>32,195,247</u>	<u>32,565,628</u>	<u>370,381</u>
Other taxes and licenses:			
White goods disposal tax	10,000	39,907	29,907
ABC local bottle tax	19,000	26,813	7,813
Local option sales tax	10,903,000	11,719,430	816,430
Scrap tire disposal tax	56,500	56,496	(4)
	<u>10,988,500</u>	<u>11,842,646</u>	<u>854,146</u>
Permits and fees:			
Building permits and inspections fees	391,000	530,380	139,380
Sheriff fees	39,000	44,789	5,789
Register of deeds	1,334,000	1,635,347	301,347
Privilege licenses	13,000	17,654	4,654
Franchise fees	195,000	218,341	23,341
Other fees	88,453	172,336	83,883
	<u>2,060,453</u>	<u>2,618,847</u>	<u>558,394</u>
Intergovernmental:			
Restricted:			
Federal and State grants	9,199,332	8,660,887	(538,445)
Court facilities fees	220,000	239,894	19,894
Unrestricted:			
Beer and wine tax	146,350	149,646	3,296
Sales and gas tax refunds	57,000	67,414	10,414
ABC profits	175,000	269,286	94,286
Croatan National Forest	60,000	60,706	706
	<u>9,857,682</u>	<u>9,447,833</u>	<u>(409,849)</u>
Sales and services:			
Mapping	1,800	1,615	(185)
Solid waste	1,235,000	1,279,272	44,272
Civic center fees	102,000	96,595	(5,405)
Other	401,357	485,181	83,824
	<u>1,740,157</u>	<u>1,862,663</u>	<u>122,506</u>
Interest	<u>260,000</u>	<u>180,842</u>	<u>(79,158)</u>
Miscellaneous:			
Proceeds from sale of fixed assets	22,000	7,501	(14,499)
Other	219,174	215,858	(3,316)
	<u>241,174</u>	<u>223,359</u>	<u>(17,815)</u>
Total revenue	<u>57,343,213</u>	<u>58,741,818</u>	<u>1,398,605</u>

(Continued)

Carteret County, North Carolina

General Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)

Year Ended June 30, 2004

(Page 2 of 8)

	Final Budget	Actual	Variance Positive (Negative)
Expenditures			
General government:			
Governing body:			
Salaries and employee benefits	\$ 58,796	\$ 46,066	\$ 12,730
Operating expenses	196,575	213,680	(17,105)
Professional services	101,670	95,960	5,710
	<u>357,041</u>	<u>355,706</u>	<u>1,335</u>
Administration:			
Salaries and employee benefits	153,939	150,850	3,089
Operating expenses	39,900	32,351	7,549
	<u>193,839</u>	<u>183,201</u>	<u>10,638</u>
Information systems:			
Salaries and employee benefits	138,698	130,700	7,998
Operating expenses	188,900	175,626	13,274
	<u>327,598</u>	<u>306,326</u>	<u>21,272</u>
Finance:			
Salaries and employee benefits	291,301	277,211	14,090
Operating expenses	45,348	41,751	3,597
	<u>336,649</u>	<u>318,962</u>	<u>17,687</u>
Human resources:			
Salaries and employee benefits	51,953	41,270	10,683
Operating expenses	20,500	20,148	352
	<u>72,453</u>	<u>61,418</u>	<u>11,035</u>
Tax:			
Salaries and employee benefits	621,628	611,125	10,503
Operating expenses	95,300	75,974	19,326
Contract services	97,000	87,018	9,982
Capital outlay	7,418	7,418	-
	<u>821,346</u>	<u>781,535</u>	<u>39,811</u>
Revaluation:			
Salaries and employee benefits	118,061	103,124	14,937
Operating expenses	30,000	7,462	22,538
Capital outlay	12,856	12,856	-
	<u>160,917</u>	<u>123,442</u>	<u>37,475</u>
Legal:			
Professional services	85,188	29,448	55,740
Court facilities:			
Operating expenses	44,038	44,100	(62)
Contract services	2,280	2,205	75
	<u>46,318</u>	<u>46,305</u>	<u>13</u>
Elections:			
Salaries and employee benefits	124,208	117,030	7,178
Operating expenses	85,502	64,853	20,649
Capital outlay	11,255	11,255	-
	<u>220,965</u>	<u>193,138</u>	<u>27,827</u>
Register of deeds:			
Salaries and employee benefits	290,123	286,250	3,873
Operating expenses	199,758	186,248	13,510
Capital outlay	11,439	-	11,439
	<u>501,320</u>	<u>472,498</u>	<u>28,822</u>

(Continued)

Carteret County, North Carolina

General Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
 Year Ended June 30, 2004
 (Page 3 of 8)

	Final Budget	Actual	Variance Positive (Negative)
Public buildings:			
Salaries and employee benefits	\$ 183,477	\$ 159,490	\$ 23,987
Operating expenses	422,125	407,061	15,064
	<u>605,602</u>	<u>566,551</u>	<u>39,051</u>
Total general government	3,729,236	3,438,530	290,706
Public safety:			
Sheriff:			
Salaries and employee benefits	1,730,467	1,721,548	8,919
Operating expenses	454,015	435,704	18,311
Contract services	-	1,843	(1,843)
Capital outlay	137,527	137,560	(33)
	<u>2,322,009</u>	<u>2,296,655</u>	<u>25,354</u>
Communications:			
Salaries and employee benefits	324,626	325,227	(601)
Operating expenses	54,550	52,308	2,242
	<u>379,176</u>	<u>377,535</u>	<u>1,641</u>
Sheriff - Jail division:			
Salaries and employee benefits	992,546	977,964	14,582
Operating expenses	521,621	526,905	(5,284)
Contract services	219,000	226,039	(7,039)
	<u>1,733,167</u>	<u>1,730,908</u>	<u>2,259</u>
Sheriff - Teen court			
Salaries and employee benefits	10,522	7,063	3,459
Operating expenses	5,890	1,008	4,882
	<u>16,412</u>	<u>8,071</u>	<u>8,341</u>
Emergency medical service:			
Salaries and employee benefits	11,480	7,516	3,964
Operating expenses	25,650	23,615	2,035
Contract services	14,000	14,004	(4)
Capital outlay	28,440	29,298	(858)
	<u>79,570</u>	<u>74,433</u>	<u>5,137</u>
Paramedic operations:			
Salaries and employee benefits	389,736	389,025	711
Operating expenses	94,367	88,757	5,610
Capital outlay	28,900	27,469	1,431
	<u>513,003</u>	<u>505,251</u>	<u>7,752</u>
Emergency management:			
Salaries and employee benefits	48,653	48,555	98
Operating expenses	239,066	165,924	73,142
Capital outlay	44,418	33,891	10,527
Contract services	19,475	4,663	14,812
	<u>351,612</u>	<u>253,033</u>	<u>98,579</u>
Rape crisis program:			
Salaries and employee benefits	107,249	96,178	11,071
Operating expenses	22,400	21,675	725
Contract services	15,000	14,969	31
	<u>144,649</u>	<u>132,822</u>	<u>11,827</u>

(Continued)

Carteret County, North Carolina

General Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
 Year Ended June 30, 2004
 (Page 4 of 8)

	Final Budget	Actual	Variance Positive (Negative)
Domestic violence program:			
Operating expenses	\$ 114,900	\$ 80,140	\$ 34,760
Fire Marshall:			
Salaries and employee benefits	54,533	55,161	(628)
Operating expenses	14,698	10,557	4,141
	69,231	65,718	3,513
Medical examiner:			
Professional services	55,000	54,700	300
Animal control:			
Salaries and employee benefits	152,968	153,924	(956)
Operating expenses	235,668	230,883	4,785
	388,636	384,807	3,829
Total public safety	6,167,365	5,964,073	203,292
Transportation:			
Harbors:			
Operating expenses	38,900	30,911	7,989
Beaufort-Morehead City Airport Authority	66,000	66,000	-
CCATS:			
Salaries and employee benefits	81,466	67,228	14,238
Operating expenses	307,831	321,880	(14,049)
Contract services	8,400	4,183	4,217
Capital outlay	116,000	89,588	26,412
	513,697	482,879	30,818
Total transportation	618,597	579,790	38,807
Environmental protection:			
Forest fire control	74,970	74,945	25
Landfill closure	20,000	16,401	3,599
Tri-County solid waste collections	2,554,700	2,554,669	31
Soil conservation:			
Salaries and employee benefits	63,200	63,753	(553)
Operating expenses	11,037	10,388	649
	74,237	74,141	96
Public works:			
Salaries and employee benefits	168,333	153,204	15,129
Operating expenses	74,990	70,299	4,691
Contract services	2,500	858	1,642
Capital outlay	13,895	13,778	117
	259,718	238,139	21,579
Total environmental protection	2,983,625	2,958,295	25,330

(Continued)

Carteret County, North Carolina

General Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
 Year Ended June 30, 2004
 (Page 5 of 8)

	Final Budget	Actual	Variance Positive (Negative)
Economic and physical development:			
Special appropriations:			
Economic Development Council	\$ 172,281	\$ 172,597	\$ (316)
Port committee	1,000	-	1,000
	<u>173,281</u>	<u>172,597</u>	<u>684</u>
Beach nourishment			
Salaries and employee benefits	65,097	58,065	7,032
Operating expenses	396,775	208,985	187,790
Contract services	158,000	70,531	87,469
	<u>619,872</u>	<u>337,581</u>	<u>282,291</u>
Planning and zoning:			
Salaries and employee benefits	445,280	444,641	639
Operating expenses	93,582	76,475	17,107
Contract services	2,383	52	2,331
	<u>541,245</u>	<u>521,168</u>	<u>20,077</u>
Engineering:			
Unemployment	5,544	5,544	-
Agricultural extension:			
Salaries and employee benefits	-	3,201	(3,201)
Operating expenses	225,055	148,662	76,393
	<u>225,055</u>	<u>151,863</u>	<u>73,192</u>
Total economic and physical development	<u>1,564,997</u>	<u>1,188,753</u>	<u>376,244</u>
Human Services:			
Health center:			
Salaries and employee benefits	664,307	664,223	84
Operating expenses	281,451	251,180	30,271
	<u>945,758</u>	<u>915,403</u>	<u>30,355</u>
Health promotion:			
Salaries and employee benefits	76,590	63,417	13,173
Operating expenses	3,400	3,689	(289)
	<u>79,990</u>	<u>67,106</u>	<u>12,884</u>
Clinical services, cancer, glaucoma, diabetes:			
Salaries and employee benefits	245,399	240,544	4,855
Operating expenses	39,643	31,000	8,643
	<u>285,042</u>	<u>271,544</u>	<u>13,498</u>
Tuberculosis control program:			
Salaries and employee benefits	83,996	84,672	(676)
Operating expenses	1,295	618	677
	<u>85,291</u>	<u>85,290</u>	<u>1</u>
Aids control:			
Salaries and employee benefits	46,529	9,804	36,725
Operating expenses	62,301	56,981	5,320
	<u>108,830</u>	<u>66,785</u>	<u>42,045</u>
Maternal adult and child health:			
Salaries and employee benefits	341,044	282,261	58,783
Operating expenses	21,900	14,055	7,845
	<u>362,944</u>	<u>296,316</u>	<u>66,628</u>

(Continued)

Carteret County, North Carolina

General Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
 Year Ended June 30, 2004
 (Page 6 of 8)

	Final Budget	Actual	Variance Positive (Negative)
Child care coordination:			
Salaries and employee benefits	\$ 198,962	\$ 182,673	\$ 16,289
Operating expenses	4,540	1,608	2,932
	<u>203,502</u>	<u>184,281</u>	<u>19,221</u>
Women, infants, and children:			
Administration:			
Salaries and employee benefits	145,112	143,618	1,494
Operating expenses	19,809	14,736	5,073
	<u>164,921</u>	<u>158,354</u>	<u>6,567</u>
Nutrition:			
Salaries and employee benefits	36,261	36,679	(418)
Operating expenses	500	75	425
	<u>36,761</u>	<u>36,754</u>	<u>7</u>
Environmental health:			
Salaries and employee benefits	738,804	735,623	3,181
Operating expenses	66,251	68,328	(2,077)
Capital outlay	11,500	11,497	3
	<u>816,555</u>	<u>815,448</u>	<u>1,107</u>
State smart start grant:			
Salaries and fringe benefits	(9,000)	10,071	(19,071)
Operating supplies	13,488	12,816	672
Contract services	34,564	1,704	32,860
	<u>39,052</u>	<u>24,591</u>	<u>14,461</u>
Mental health:			
Mental health center and other	234,267	234,267	-
Mental health, ABC	18,000	18,000	-
	<u>252,267</u>	<u>252,267</u>	<u>-</u>
DSS administration:			
Salaries and employee benefits	3,503,592	3,498,418	5,174
Operating expenses	450,655	448,444	2,211
Professional services	66,700	71,391	(4,691)
Capital outlay	28,000	26,567	1,433
	<u>4,048,947</u>	<u>4,044,820</u>	<u>4,127</u>
General assistance:			
Boarding home	111,650	131,465	(19,815)
Clothing and medical expense	40,500	37,909	2,591
Special children adoption	54,673	33,947	20,726
Miscellaneous	18,000	20,973	(2,973)
	<u>224,823</u>	<u>224,294</u>	<u>529</u>
TANF Block grant:			
TANF Block grant	236,475	200,471	36,004
Operating expenses	54,000	54,676	(676)
	<u>290,475</u>	<u>255,147</u>	<u>35,328</u>
DSS special assistance	<u>5,327,241</u>	<u>4,996,265</u>	<u>330,976</u>
Special projects	<u>229,917</u>	<u>229,856</u>	<u>61</u>

(Continued)

Carteret County, North Carolina

General Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
 Year Ended June 30, 2004
 (Page 7 of 8)

	Final Budget	Actual	Variance Positive (Negative)
Other human services	\$ 419,864	\$ 216,621	\$ 203,243
CBA juvenile restitution program:			
Salaries and employee benefits	33,499	32,904	595
Operating expenses	4,959	4,187	772
Contract services	14,000	8,461	5,539
	52,458	45,552	6,906
Veteran services:			
Salaries and employee benefits	127,857	127,933	(76)
Operating expenses	26,613	24,357	2,256
Contract services	6,524	6,523	1
	160,994	158,813	2,181
Senior center operation:			
Salaries and employee benefits	131,432	130,629	803
Operating expenses	90,441	85,819	4,622
Contract services	74,743	74,316	427
	296,616	290,764	5,852
Title V grant:			
Salaries and employee benefits	53,587	50,391	3,196
Operating expenses	1,408	1,211	197
	54,995	51,602	3,393
Title III F grant:			
Salaries and employee benefits	2,641	2,650	(9)
Operating expenses	6,624	6,573	51
	9,265	9,223	42
Senior center outreach			
Salaries and employee benefits	8,732	9,887	(1,155)
Operating expenses	11,541	4,317	7,224
Contract services	10,000	8,120	1,880
	30,273	22,324	7,949
Total human services	14,526,781	13,719,420	807,361
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	282,480	258,329	24,151
Operating expenses	222,844	168,913	53,931
Contract services	39,635	15,291	24,344
	544,959	442,533	102,426
Parks and recreation maintenance:			
Salaries and employee benefits	319,281	299,319	19,962
Operating expenses	128,696	105,468	23,228
Contract services	18,000	11,344	6,656
Capital outlay	42,897	42,896	1
	508,874	459,027	49,847
Senior center:			
Salaries and employee benefits	89,458	88,849	609
Operating expenses	76,307	76,734	(427)
Contract services	2,790	2,753	37
	168,555	168,336	219
Carteret County Library:			
Appropriations to Tri-County Library	630,000	630,000	-

(Continued)

Carteret County, North Carolina

General Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)

Year Ended June 30, 2004

(Page 8 of 8)

	Final Budget	Actual	Variance Positive (Negative)
Civic center:			
Salaries and employee benefits	\$ 155,936	\$ 151,203	\$ 4,733
Operating expenses	143,122	137,335	5,787
Contract services	3,593	3,476	117
Capital outlay	17,000	15,670	1,330
	<u>319,651</u>	<u>307,684</u>	<u>11,967</u>
Total culture and recreation	<u>2,172,039</u>	<u>2,007,580</u>	<u>164,459</u>
Education:			
Public schools, current expense	16,556,233	16,555,908	325
Community college, current expense	1,220,000	1,220,000	-
Community college, capital outlay	200,200	200,515	(315)
Total education	<u>17,976,433</u>	<u>17,976,423</u>	<u>10</u>
Debt service:			
Principal retirement	4,707,000	4,706,571	429
Interest and fees	2,514,998	2,528,184	(13,186)
Bond issuance costs	128,177	130,978	(2,801)
Total debt service	<u>7,350,175</u>	<u>7,365,733</u>	<u>(15,558)</u>
Total expenditures	<u>57,089,248</u>	<u>55,198,597</u>	<u>1,890,651</u>
Revenue over (under) expenditures	<u>253,965</u>	<u>3,543,221</u>	<u>3,289,256</u>
Other financing sources (uses)			
Transfers in (out):			
From Tourism Development Authority	150,000	-	(150,000)
From Occupancy Tax Fund	532,201	771,659	239,458
From E-911 Fund	25,000	25,000	-
From Newport Middle School COPS Fund	-	30,000	30,000
Transfer from DRI 1998 Bonnie Fund	-	243	243
To School Project Fund	(679,682)	(679,682)	-
To Water Fund	(70,000)	(70,000)	-
To Capital Improvements Fund	(1,004,967)	(1,004,967)	-
To Rescue Squad Fund	(16,000)	(16,000)	-
To Fire District Fund	(23,000)	(23,000)	-
Proceeds of refunding bonds	21,267,580	21,215,898	(51,682)
Payment to refunded bond escrow agent	(21,129,755)	(21,079,633)	50,122
Contingency reserves	(142,122)	-	142,122
Appropriated fund balance	836,780	-	(836,780)
Total other financing sources	<u>(253,965)</u>	<u>(830,482)</u>	<u>(576,517)</u>
Revenue and other sources over expenditures and other uses	<u>\$ -</u>	<u>2,712,739</u>	<u>\$ 2,712,739</u>
Fund balance			
Beginning, as adjusted		<u>16,613,762</u>	
Ending		<u>\$ 19,326,501</u>	

Carteret County, North Carolina

Combining Balance Sheet - Nonmajor Governmental Fund Types
June 30, 2004

	Government Fund Types		
	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets			
Assets:			
Cash and investments	\$ 548,163	\$ 5,280,790	\$ 5,828,953
Receivables, net	1,244,175	-	1,244,175
Total assets	\$ 1,792,338	\$ 5,280,790	\$ 7,073,128
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 705,594	\$ 648,720	\$ 1,354,314
Due to other funds	307,872	14,567	322,439
Deferred revenue	228,851	-	228,851
Total liabilities	1,242,317	663,287	1,905,604
Fund balances:			
Reserved by State statute	1,015,324	-	1,015,324
Unreserved:			
Designated for subsequent year's expenditures	207,011	2,935,528	3,142,539
Undesignated (deficit)	(672,314)	1,681,975	1,009,661
Total fund balance	550,021	4,617,503	5,167,524
Total liabilities and fund balance	\$ 1,792,338	\$ 5,280,790	\$ 7,073,128

Carteret County, North Carolina

Combining Statement of Revenue, Expenditures and Changes in Fund Balances -
 Nonmajor Governmental Fund Types
 Year Ended June 30, 2004

Government Fund Types

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenue			
Ad valorem taxes	\$ 3,707,688	\$ -	\$ 3,707,688
Other taxes and licenses	5,248,100	-	5,248,100
Intergovernmental	233,754	1,992,315	2,226,069
Interest	6,463	79,585	86,048
Total revenue	9,196,005	2,071,900	11,267,905
Expenditures			
Current:			
Public safety	5,330,568	-	5,330,568
Economic and physical development	3,050,014	-	3,050,014
Capital outlay	-	12,112,063	12,112,063
Total expenditures	8,380,582	12,112,063	20,492,645
Revenue over (under) expenditures	815,423	(10,040,163)	(9,224,740)
Other financing sources (uses)			
Transfers in	66,000	2,522,465	2,588,465
Transfers out	(823,902)	(867,816)	(1,691,718)
Total other financing sources (uses)	(757,902)	1,654,649	896,747
Net change in fund balance	57,521	(8,385,514)	(8,327,993)
Fund balances			
Beginning	492,500	13,003,017	13,495,517
Ending	\$ 550,021	\$ 4,617,503	\$ 5,167,524

Carteret County, North Carolina

Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2004

Assets	Rescue Squad Fund	Fire District Fund	Emergency 911 Fund	Occupancy Tax Fund
Cash and investments	\$ 48,585	\$ 36,506	\$ 441,389	\$ -
Receivables:				
Property taxes receivable	91,398	137,453	-	-
Accounts receivable	147,924	219,804	17,401	628,065
Total assets	\$ 287,907	\$ 393,763	\$ 458,790	\$ 628,065
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 156,632	\$ 224,570	\$ 3,372	\$ 321,020
Due to other funds	-	-	-	307,045
Deferred revenue	91,398	137,453	-	-
Total liabilities	248,030	362,023	3,372	628,065
Fund balance (deficit):				
Reserved by State statute	147,924	219,804	17,401	628,065
Unreserved:				
Designated for subsequent year's expenditures	-	-	192,000	-
Undesignated	(108,047)	(188,064)	246,017	(628,065)
Total fund balances (deficit)	39,877	31,740	455,418	-
Total liabilities and fund balances	\$ 287,907	\$ 393,763	\$ 458,790	\$ 628,065

Salter Path District Fund	CDBG 2003 Scattered Site Fund	CDBG 2001 Laurel Road Fund	Totals
\$ 6,672	\$ -	\$ 15,011	\$ 548,163
-	-	-	228,851
2,130	-	-	1,015,324
<u>\$ 8,802</u>	<u>\$ -</u>	<u>\$ 15,011</u>	<u>\$ 1,792,338</u>

\$ -	\$ -	\$ -	\$ 705,594
-	827	-	307,872
-	-	-	228,851
-	827	-	1,242,317

2,130	-	-	1,015,324
-	-	15,011	207,011
6,672	(827)	-	(672,314)
8,802	(827)	15,011	550,021
<u>\$ 8,802</u>	<u>\$ -</u>	<u>\$ 15,011</u>	<u>\$ 1,792,338</u>

Carteret County, North Carolina

Nonmajor Special Revenue Funds

Combining Statement of Revenue, Expenditures and Changes in Fund Balances (Deficit)
Year Ended June 30, 2004

	Rescue Squad Fund	Fire District Fund	Emergency 911 Fund
Revenues			
Ad valorem taxes	\$ 1,464,265	\$ 2,215,825	\$ -
Other taxes and licenses	557,539	828,384	312,540
Intergovernmental	-	-	-
Interest	-	897	2,524
Total revenue	<u>2,021,804</u>	<u>3,045,106</u>	<u>315,064</u>
Expenditures			
Public safety	1,988,851	3,036,350	305,367
Economic and physical development	-	-	-
Total expenditures	<u>1,988,851</u>	<u>3,036,350</u>	<u>305,367</u>
Revenue over (under) expenditures	<u>32,953</u>	<u>8,756</u>	<u>9,697</u>
Other financing sources (uses)			
Transfers in	16,000	23,000	-
Transfers out	-	-	(25,000)
Total other financing sources (uses)	<u>16,000</u>	<u>23,000</u>	<u>(25,000)</u>
Revenue and other financing sources over (under) expenditures and other financing uses	48,953	31,756	(15,303)
Fund balances (deficit)			
Beginning	(9,076)	(16)	470,721
Ending	<u>\$ 39,877</u>	<u>\$ 31,740</u>	<u>\$ 455,418</u>

Occupancy Tax Fund	Salter Path District Fund	CDBG 2003 Scattered Site Fund	CDBG 2001 Laurel Road Fund	DRI Grant 1998 Bonnie Fund	Totals
\$ -	\$ 27,598	\$ -	\$ -	\$ -	\$ 3,707,688
3,549,637	-	-	-	-	5,248,100
-	-	-	233,754	-	233,754
2,655	387	-	-	-	6,463
3,552,292	27,985	-	233,754	-	9,196,005
-	-	-	-	-	5,330,568
2,753,633	74,525	827	221,029	-	3,050,014
2,753,633	74,525	827	221,029	-	8,380,582
798,659	(46,540)	(827)	12,725	-	815,423
-	27,000	-	-	-	66,000
(798,659)	-	-	-	(243)	(823,902)
(798,659)	27,000	-	-	(243)	(757,902)
-	(19,540)	(827)	12,725	(243)	57,521
-	28,342	-	2,286	243	492,500
\$ -	\$ 8,802	\$ (827)	\$ 15,011	\$ -	\$ 550,021

Carteret County, North Carolina

Rescue Squad Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2004

	Budget	Actual	Variance Positive (Negative)
Revenue			
Ad valorem taxes	\$ 1,456,112	\$ 1,464,265	\$ 8,153
Other taxes and licenses:			
Local option sales tax	504,249	557,539	53,290
Total revenue	<u>1,960,361</u>	<u>2,021,804</u>	<u>61,443</u>
Expenditures			
Public safety:			
County allocation	16,000	15,000	1,000
Beaufort	423,078	402,578	20,500
Broad and Gales Creek	126,690	125,190	1,500
Cape Carteret	338,825	331,325	7,500
Sea Level	266,729	260,429	6,300
Mitchell Village	133,972	129,972	4,000
Otway	147,862	147,862	-
Mill Creek	18,956	18,956	-
Local sales tax and inventory reimbursement	504,249	557,539	(53,290)
Total expenditures	<u>1,976,361</u>	<u>1,988,851</u>	<u>(12,490)</u>
Revenue over (under) expenditures	<u>(16,000)</u>	<u>32,953</u>	<u>48,953</u>
Other financing sources			
Transfer from General Fund	16,000	16,000	-
Total other financing sources	<u>16,000</u>	<u>16,000</u>	<u>-</u>
Revenue over expenditures and other financing uses	<u>\$ -</u>	<u>48,953</u>	<u>\$ 48,953</u>
Fund balances			
Beginning (deficit)		(9,076)	
Ending		<u>\$ 39,877</u>	

Carteret County, North Carolina

Fire District Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2004

	Budget	Actual	Variance Positive (Negative)
Revenue			
Ad valorem taxes	\$ 2,215,436	\$ 2,215,825	\$ 389
Other taxes and licenses:			
Local option sales tax	760,533	828,384	67,851
Interest	2,000	897	(1,103)
Total revenue	<u>2,977,969</u>	<u>3,045,106</u>	<u>67,137</u>
Expenditures			
Public safety:			
Fire Districts:			
County allocations	23,000	23,000	-
Atlantic	37,207	37,525	(318)
Broad and Gales Creek	116,284	116,459	(175)
Mill Creek	18,123	18,871	(748)
Newport	212,792	210,882	1,910
Atlantic Beach	-	17	(17)
Mitchell Village, Crab Point	268,444	267,886	558
Davis	46,650	47,830	(1,180)
Harlowe	34,007	34,529	(522)
Marshallberg	87,883	87,807	76
Cape Carteret	411,670	404,670	7,000
Otway	52,516	52,786	(270)
Wildwood	307,100	302,278	4,822
Salter Path	110,415	110,314	101
North River	23,025	22,435	590
Beaufort	203,352	202,636	716
Stacy	16,864	16,139	725
Stella	42,265	42,687	(422)
Sea Level	30,380	30,720	(340)
Cedar Island	26,010	25,344	666
South River	70,553	19,875	50,678
Harkers Island	99,896	115,395	(15,499)
Operating expenses	2,000	-	2,000
Local sales tax and inventory reimbursements	760,533	846,265	(85,732)
Total expenditures	<u>3,000,969</u>	<u>3,036,350</u>	<u>(35,381)</u>
Revenue (under) over expenditures	<u>(23,000)</u>	<u>8,756</u>	<u>(31,756)</u>
Other financing sources			
Transfers from General Fund	23,000	23,000	-
Revenue over expenditures and other financing uses	<u>\$ -</u>	<u>31,756</u>	<u>\$ 31,756</u>
Fund balances			
Beginning (deficit)		(16)	
Ending		<u>\$ 31,740</u>	

Carteret County, North Carolina

Emergency 911 Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2004

	Budget	Actual	Variance Positive (Negative)
Revenue			
Other taxes and licenses:			
Emergency 911 wireless assessment	\$ -	\$ 116,537	\$ 116,537
Emergency 911 telephone assessment	235,000	196,003	(38,997)
Interest	5,000	2,524	(2,476)
Total revenue	<u>240,000</u>	<u>315,064</u>	<u>75,064</u>
Expenditures			
Public safety:			
Salaries and fringe benefits	46,326	69,282	(22,956)
Operating expenses	210,674	204,826	5,848
Contracted services	65,000	31,259	33,741
Capital outlay	-	-	-
Total expenditures	<u>322,000</u>	<u>305,367</u>	<u>16,633</u>
Revenue (under) over expenditures	<u>(82,000)</u>	<u>9,697</u>	<u>58,431</u>
Other financing sources			
Transfer out	(25,000)	(25,000)	-
Fund balance appropriated	107,000	-	(107,000)
	<u>82,000</u>	<u>(25,000)</u>	<u>(107,000)</u>
Revenue and other financing sources over (under) expenditures	<u>\$ -</u>	<u>(15,303)</u>	<u>\$ (15,303)</u>
Fund balances			
Beginning		470,721	
Ending		<u>\$ 455,418</u>	

Carteret County, North Carolina

Occupancy Tax Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2004

	Budget	Actual	Variance Positive (Negative)
Revenue			
Other taxes and licenses:			
Occupancy taxes	\$ 3,580,000	\$ 3,538,978	\$ (41,022)
Occupancy taxes, penalties and interest	1,500	10,659	9,159
Interest	4,000	2,655	(1,345)
Total revenue	3,585,500	3,552,292	(33,208)
Expenditures			
Economic and physical development:			
Tourism:			
Morehead	31,742	31,742	-
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	3,929	3,929	-
Beaufort	11,214	11,214	-
Newport	5,738	5,738	-
Cedar Point	564	564	-
Bogue	143	143	-
Peletier	119	119	-
Tourism Development Authority	1,769,350	1,727,184	42,166
Operating expenses	5,500	-	5,500
Total expenditures	2,801,299	2,753,633	47,666
Revenue over expenditures	784,201	798,659	14,458
Other financing sources			
Transfers out	784,201	798,659	(14,458)
Revenue and other financing sources over expenditures	\$ -	-	\$ -
Fund balances			
Beginning		-	
Ending		<u>\$ -</u>	

Carteret County, North Carolina

Salter Path District Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2004

	Budget	Actual	Variance Positive (Negative)
Revenue			
Ad valorem taxes	\$ 20,525	\$ 27,598	\$ 7,073
Interest	-	387	387
Total revenue	<u>20,525</u>	<u>27,985</u>	<u>7,460</u>
Expenditures			
Economic and physical development:			
Contribution to Indian Beach	74,525	74,525	-
Total expenditures	<u>74,525</u>	<u>74,525</u>	<u>-</u>
Revenue over (under) expenditures	(54,000)	(46,540)	7,460
Other financing sources			
Transfer from Occupancy fund	27,000	27,000	-
Appropriated fund balance	27,000	-	27,000
	<u>54,000</u>	<u>27,000</u>	<u>27,000</u>
Revenue and other financing sources over (under) expenditures	<u>\$ -</u>	(19,540)	<u>\$ (19,540)</u>
Fund balances			
Beginning		28,342	
Ending		<u>\$ 8,802</u>	

Carteret County, North Carolina

2003 CDBG Scattered Site

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and the Year Ended June 30, 2004

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
Revenue				
Intergovernmental:				
Federal and State Grants	\$ 400,000	\$ -	\$ -	\$ -
Total	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Economic and Physical Development:				
C - 1 Clearance	40,000	-	-	-
C - 1 Relocation	195,000	-	-	-
C - 1 Rehabilitation	125,000	-	-	-
C - 1 Administration	40,000	-	827	827
Total	<u>400,000</u>	<u>-</u>	<u>827</u>	<u>827</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(827)</u>	<u>\$ -</u>
Fund balances				
Beginning			-	
Ending			<u>\$ (827)</u>	

Carteret County, North Carolina

CDBG 2001 Laurel Road Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and the Year Ended June 30, 2004

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
Revenue				
Intergovernmental:				
Community Development Block Grant	\$ 700,000	\$ 42,333	\$ 233,754	\$ 276,087
Expenditures				
Economic and Physical Development:				
Clearance	32,800	13,750	1,000	14,750
Acquisition	12,200	9,542	-	9,542
Relocation	374,000	4,086	213,575	217,661
Rehabilitation	162,000	3,885	-	3,885
Water Improvements	105,000	690	544	1,234
Administration	59,000	53,094	5,910	59,004
Total	<u>745,000</u>	<u>85,047</u>	<u>221,029</u>	<u>306,076</u>
Revenues over (under) expenditures	(45,000)	(42,714)	12,725	\$ (29,989)
Other financing sources				
Transfer from general fund	45,000	45,000	-	45,000
Revenue and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 2,286</u>	<u>12,725</u>	<u>\$ 15,011</u>
Fund balances				
Beginning			<u>2,286</u>	
Ending			<u>\$ 15,011</u>	

Carteret County, North Carolina

DRI GRANT 1998 Bonnie Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and the Year Ended June 30, 2004

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
Revenue				
Intergovernmental:				
Federal and State Grants	\$ 600,000	\$ 600,000	\$ -	\$ 600,000
Total	<u>600,000</u>	<u>600,000</u>	<u>-</u>	<u>600,000</u>
Expenditures				
Economic and Physical Development:				
C - 1 Clearance	10,000	8,490	-	8,490
C - 1 Relocation	535,000	543,567	-	543,567
C - 1 Administration	55,000	47,700	-	47,700
Total	<u>600,000</u>	<u>599,757</u>	<u>-</u>	<u>599,757</u>
Revenues over (under) expenditures	<u>-</u>	<u>243</u>	<u>-</u>	<u>243</u>
Other financing sources				
Transfer out to general fund	-	-	243	243
Total other financing sources	<u>-</u>	<u>-</u>	<u>243</u>	<u>243</u>
Revenue and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 243</u>	<u>(243)</u>	<u>\$ -</u>
Fund balances				
Beginning			243	
Ending			<u>\$ -</u>	

Carteret County, North Carolina

Nonmajor Capital Projects Fund

Combining Balance Sheet
June 30, 2004

Assets	County Capital Reserve Fund	County Capital Improvements Fund	School Special Projects Fund
Cash and investments	\$ 427,013	\$ 2,462,035	\$ 565,571
Total assets	<u>\$ 427,013</u>	<u>\$ 2,462,035</u>	<u>\$ 565,571</u>
 Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ 176,771	\$ 62,873
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>176,771</u>	<u>62,873</u>
 Fund balances:			
Unreserved:			
Designated for subsequent expenditures	-	1,513,000	20,000
Undesignated	427,013	772,264	482,698
Total fund balances	<u>427,013</u>	<u>2,285,264</u>	<u>502,698</u>
Total liabilities and fund balances	<u>\$ 427,013</u>	<u>\$ 2,462,035</u>	<u>\$ 565,571</u>

Western Library Fund	Beaufort Elem. School Project Fund	Carteret Community College Fund	Totals
\$ 312,810	\$ 376,766	\$ 1,136,595	\$ 5,280,790
\$ 312,810	\$ 376,766	\$ 1,136,595	\$ 5,280,790

\$ -	\$ 373,098	\$ 35,978	\$ 648,720
-	3,668	10,899	14,567
-	376,766	46,877	663,287

312,810	-	1,089,718	2,935,528
-	-	-	1,681,975
312,810	-	1,089,718	4,617,503
\$ 312,810	\$ 376,766	\$ 1,136,595	\$ 5,280,790

Carteret County, North Carolina

Nonmajor Capital Projects Fund

Combining Statement of Revenue, Expenditures and Changes in Fund Balances
Year Ended June 30, 2004

	County Capital Reserve Fund	County Capital Improvements Fund	Newport Middle School COPS Fund
Revenue			
Intergovernmental	\$ -	\$ 1,992,315	\$ -
Interest	2,500	10,170	1,254
Total revenue	<u>2,500</u>	<u>2,002,485</u>	<u>1,254</u>
Expenditures			
Capital outlay	-	2,460,192	(3)
Revenue over (under) expenditures	<u>2,500</u>	<u>(457,707)</u>	<u>1,257</u>
Other Financing Sources (Uses)			
Transfers in	-	1,517,092	-
Transfers out	-	-	(355,691)
Total other financing sources (uses)	<u>-</u>	<u>1,517,092</u>	<u>(355,691)</u>
Revenue and other financing sources over (under) expenditures and other financing uses	2,500	1,059,385	(354,434)
Fund balances			
Beginning	424,513	1,225,879	354,434
Ending	<u>\$ 427,013</u>	<u>\$ 2,285,264</u>	<u>\$ -</u>

School Special Project Fund	Health Center Renovations Fund	Western Library Fund	Beaufort Elem. School Project Fund	Carteret Community College Fund	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,992,315
380	1,075	3,020	29,946	31,240	79,585
380	1,075	3,020	29,946	31,240	2,071,900
836,008	-	13,220	4,138,488	4,664,158	12,112,063
(835,628)	1,075	(10,200)	(4,108,542)	(4,632,918)	(10,040,163)
1,005,373	-	-	-	-	2,522,465
-	(512,125)	-	-	-	(867,816)
1,005,373	(512,125)	-	-	-	1,654,649
169,745	(511,050)	(10,200)	(4,108,542)	(4,632,918)	(8,385,514)
332,953	511,050	323,010	4,108,542	5,722,636	13,003,017
\$ 502,698	\$ -	\$ 312,810	\$ -	\$ 1,089,718	\$ 4,617,503

Carteret County, North Carolina

County Capital Reserve Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2004

	Budget	Actual	Variance Positive (Negative)
Revenue			
Interest	<u>\$ -</u>	\$ 2,500	<u>\$ 2,500</u>
Fund balances			
Beginning		424,513	
Ending		<u>\$ 427,013</u>	

Carteret County, North Carolina

County Capital Improvements Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2004

	Budget	Actual	Variance Positive (Negative)
Revenue			
Intergovernmental	\$ 1,975,000	\$ 1,992,315	\$ 17,315
Interest	-	10,170	10,170
Total revenues	1,975,000	2,002,485	27,485
Expenditures			
Capital outlay:			
Courthouse/Admin renovations	100,000	953	99,047
Courts HVAC improvements	100,000	-	100,000
Historic Courthouse renovations	938,000	-	938,000
Aerial mapping	172,000	109,819	62,181
Technology capital	274,500	-	274,500
Newport River dredging	10,000	10,000	-
Harbor docks	25,000	-	25,000
Beach replenishment	1,970,000	1,970,000	-
Eastern Park Land & Development	772,427	369,420	403,007
Swinson Park improvements	40,000	-	40,000
Total expenditures	4,401,927	2,460,192	1,941,735
Revenues over (under) expenditures	(2,426,927)	(457,707)	1,969,220
Other financing sources			
Transfer in from General Fund	1,004,967	1,004,967	-
Transfer in from Health Center Fund	500,000	512,125	12,125
Fund Balance Appropriated	921,960	-	(921,960)
Total other financing sources	2,426,927	1,517,092	(909,835)
Revenue and other financing sources over expenditures	\$ -	1,059,385	\$ 1,059,385
Fund balances			
Beginning		1,225,879	
Ending		<u>\$ 2,285,264</u>	

Carteret County, North Carolina

Newport Middle School COPS Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2004

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
Revenue				
Intergovernmental, sales tax refund	\$ 100,000	\$ -	\$ -	\$ -
Interest	769,400	777,583	1,254	778,837
Total revenue	869,400	777,583	1,254	778,837
Expenditures				
Capital outlay:				
Newport Middle School construction	12,943,766	12,943,766	(3)	12,943,763
Beaufort Elementary School land	1,224,883	1,224,883	-	1,224,883
Total expenditures	14,168,649	14,168,649	(3)	14,168,646
Revenue over (under) expenditures	(13,299,249)	(13,391,066)	1,257	(13,389,809)
Other financing sources (uses)				
Transfer to General Fund	(71,407)	(41,047)	(30,000)	(71,047)
Transfer to School Capital Fund	(1,053,799)	(728,453)	(325,691)	(1,054,144)
Proceeds from Certificate of participation bonds	14,424,455	14,515,000	-	14,515,000
Total financing sources (uses)	13,299,249	13,745,500	(355,691)	13,389,809
Revenue and other financing sources over (under) expenditures	\$ -	\$ 354,434	(354,434)	\$ -
Fund balances				
Beginning			<u>354,434</u>	
Ending			<u>\$ -</u>	

Carteret County, North Carolina

School Special Projects Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2004

	Budget	Actual	Variance Positive (Negative)
Revenue			
Interest	\$ -	\$ 380	\$ 380
Expenditures			
Capital outlay, Board of Education	1,281,904	836,008	445,896
Revenues over (under) expenditures	<u>(1,281,904)</u>	<u>(835,628)</u>	<u>(446,276)</u>
Other financing sources			
Transfer from General Fund	679,682	679,682	-
Transfer from School Projects Fund	300,000	325,691	25,691
Fund Balance Appropriated	302,222	-	(302,222)
Revenue and other financing sources over (under) expenditures	<u>1,281,904</u>	<u>1,005,373</u>	<u>(276,531)</u>
	<u>\$ -</u>	<u>169,745</u>	<u>\$ 169,745</u>
Fund balances			
Beginning		332,953	
Ending		<u>\$ 502,698</u>	

Carteret County, North Carolina

Health Center Renovations Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2004

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
Revenue				
Interest	\$ 50,700	\$ 51,143	\$ 1,075	\$ 52,218
Sales tax refund	9,795	9,796	-	9,796
	<u>60,495</u>	<u>60,939</u>	<u>1,075</u>	<u>62,014</u>
Expenditures				
Capital outlay	3,060,495	2,549,889	-	2,549,889
Revenue over (under) expenditures	(3,000,000)	(2,488,950)	1,075	(2,487,875)
Other financing sources (uses)				
Transfer to Capital Improvements Fund	-	-	(512,125)	(512,125)
Long-term debt issued	3,000,000	3,000,000	-	3,000,000
Revenue and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 511,050</u>	<u>(511,050)</u>	<u>\$ -</u>
Fund balances				
Beginning			<u>511,050</u>	
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 Year Ended June 30, 2004

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
Revenue				
Intergovernmental:				
Town contributions	\$ 100,000	\$ 100,000	\$ -	\$ 100,000
Friends of the Library contributions	250,000	100,000	-	100,000
Interest	-	4,712	3,020	7,732
	<u>350,000</u>	<u>204,712</u>	<u>3,020</u>	<u>207,732</u>
Expenditures				
Capital outlay	1,345,000	795,113	13,220	808,333
Revenue over (under) expenditures	<u>(995,000)</u>	<u>(590,401)</u>	<u>(10,200)</u>	<u>(600,601)</u>
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>913,411</u>	<u>-</u>	<u>913,411</u>
Revenue and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 323,010</u>	<u>(10,200)</u>	<u>\$ 312,810</u>
Fund balances				
Beginning			<u>323,010</u>	
Ending			<u>\$ 312,810</u>	

Carteret County, North Carolina

Beaufort Elementary School Project

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2004

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
Revenue				
Interest	\$ 85,000	\$ 98,452	\$ 29,946	\$ 128,398
Expenditures				
Capital outlay:				
Beaufort Elementary School construction	7,348,500	3,224,917	4,138,488	7,363,405
Revenue over (under) expenditures	<u>(7,263,500)</u>	<u>(3,126,465)</u>	<u>(4,108,542)</u>	<u>(7,235,007)</u>
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)	<u>7,263,500</u>	<u>7,235,007</u>	<u>-</u>	<u>7,235,007</u>
Revenue and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 4,108,542</u>	<u>(4,108,542)</u>	<u>\$ -</u>
Fund balances				
Beginning			<u>4,108,542</u>	
Ending			<u>\$ -</u>	

Carteret County, North Carolina

Carteret Community College Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2004

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
Revenue				
Interest	\$ -	\$ 41,163	\$ 31,240	\$ 72,403
Expenditures				
Capital outlay:				
Carteret Community College construction	7,600,000	1,918,527	4,664,158	6,582,685
Revenue over (under) expenditures	<u>(7,600,000)</u>	<u>(1,877,364)</u>	<u>(4,632,918)</u>	<u>(6,510,282)</u>
Other financing sources (uses)				
Long-term debt issued	7,600,000	7,600,000	-	7,600,000
Revenue and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 5,722,636</u>	<u>(4,632,918)</u>	<u>\$ 1,089,718</u>
Fund balances				
Beginning			5,722,636	
Ending			<u>\$ 1,089,718</u>	

Carteret County, North Carolina

Water Operating Fund

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Year Ended June 30, 2004

	Budget	Actual	Variance Positive (Negative)
Revenue, Operating			
Charges for services	\$ 182,650	\$ 147,314	\$ (35,336)
Intergovernmental, state reimbursements	23,295	28,476	5,181
Total operating revenues	<u>205,945</u>	<u>175,790</u>	<u>(30,155)</u>
Expenditures, Operating			
Cost of sales and services:			
Salaries and benefits	85,495	93,752	(8,257)
Operating expense	105,879	109,120	(3,241)
Contracted services	13,000	19,870	(6,870)
Capital outlay	3,663	-	3,663
Total operating expenditures	<u>208,037</u>	<u>222,742</u>	<u>(14,705)</u>
Operating revenue under operating expenditures	<u>(2,092)</u>	<u>(46,952)</u>	<u>(44,860)</u>
Nonoperating Revenue (Expenditures)			
Interest earnings	300	601	301
Revolving loan interest	(38,000)	(21,701)	16,299
Principal payments	(42,008)	(4,874)	37,134
Total nonoperating revenue (expenditures)	<u>(79,708)</u>	<u>(25,974)</u>	<u>53,734</u>
Deficiency of revenue under expenditures	<u>(81,800)</u>	<u>(72,926)</u>	<u>8,874</u>
Other Financing Sources			
Transfer from the General Fund	70,000	70,000	-
Transfer from Capital Projects	-	7,695	7,695
Designated Fund Balance	11,800	-	(11,800)
Total other financing sources	<u>81,800</u>	<u>77,695</u>	<u>(4,105)</u>
Revenue and other sources over expenditures	<u>\$ -</u>	<u>\$ 4,769</u>	<u>\$ 4,769</u>
Reconciliation of modified accrual basis to full accrual basis:			
Revenue and other financing uses over expenditures		\$ 4,769	
Depreciation		(149,917)	
Principal on capital lease		4,874	
Transfer from capital projects		(7,695)	
Change in net assets, full accrual basis		<u>\$ (147,969)</u>	

Carteret County, North Carolina

Highway 101 Water Project Fund - Phase I

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2004

	Total Project Estimate	Prior Years	Actual Current Year	Total To Date
Revenue				
Intergovernmental:				
State grant fund	\$ 2,969,280	\$ 2,969,280	\$ -	\$ 2,969,280
Tap fees	26,250	55,975	-	55,975
Contribution from Community College	15,607	17,820	-	17,820
Sales tax refund	57,097	22,745	-	22,745
	<u>3,068,234</u>	<u>3,065,820</u>	<u>-</u>	<u>3,065,820</u>
Expenditures				
Capital outlay	3,760,001	3,576,693	71,040	3,647,733
Revenue over (under) expenditures	<u>(691,767)</u>	<u>(510,873)</u>	<u>(71,040)</u>	<u>(581,913)</u>
Other financing sources (uses)				
Transfer to Operating Fund	-	-	(7,695)	(7,695)
Revolving loan proceeds	691,767	467,612	121,996	589,608
	<u>691,767</u>	<u>467,612</u>	<u>114,301</u>	<u>581,913</u>
Revenue and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (43,261)</u>	<u>43,261</u>	<u>\$ -</u>
Fund balances				
Beginning			<u>(43,261)</u>	
Ending			<u>\$ -</u>	

Carteret County, North Carolina

Highway 101 Phase II Water Project Fund

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2004

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
Revenue				
Intergovernmental:				
Tap fees	\$ 54,000	\$ -	\$ -	\$ -
Sales tax refund	71,000	-	-	-
	<u>125,000</u>	-	-	-
Expenditures				
Capital outlay	2,925,000	-	557,547	557,547
Revenue over (under) expenditures	<u>(2,800,000)</u>	-	<u>(557,547)</u>	<u>(557,547)</u>
Other financing sources (uses)				
USDA Loan	2,800,000	-	-	-
Revenue and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(557,547)</u>	<u>\$ (557,547)</u>
Fund balances				
Beginning			-	
Ending			<u>\$ (557,547)</u>	

THIS PAGE WAS INTENTIONALLY LEFT BLANK

Carteret County, North Carolina

Agency Funds

Combining Balance Sheet

June 30, 2004

Assets	Sheriff's Department Fund	Social Services Trust Fund	Totals
Cash, investments and receivables	<u>\$ 29,779</u>	<u>\$ 17,644</u>	<u>\$ 47,423</u>
Liabilities			
Accounts payable and accrued liabilities	<u>\$ 29,779</u>	<u>\$ 17,644</u>	<u>\$ 47,423</u>

Carteret County, North Carolina

Agency Funds

Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2004

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Sheriff's Department Fund:				
Assets, cash, investments and receivables	\$ 30,363	\$ 331,305	\$ 331,889	\$ 29,779
Liabilities	\$ 30,363	\$ 331,305	\$ 331,889	\$ 29,779
Social Services Trust Fund:				
Assets, cash and investments	\$ 21,549	\$ 130,592	\$ 134,497	\$ 17,644
Liabilities	\$ 21,549	\$ 130,592	\$ 134,497	\$ 17,644
Totals - All Agency Funds:				
Assets, cash and investments	\$ 51,912	\$ 461,897	\$ 466,386	\$ 47,423
Liabilities:				
Accounts payable and accrued liabilities	\$ 51,912	\$ 461,897	\$ 466,386	\$ 47,423

Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Comparative Schedules by Source
June 30, 2004

	2004	2003
Governmental funds capital assets:		
Land, airport	\$ 169,549	\$ 169,549
Land, other	2,837,033	2,887,533
Construction in progress	479,239	826,702
Buildings	25,396,732	24,556,810
Vehicles	3,146,753	2,923,654
Equipment	2,904,740	2,821,653
Airport facilities	1,524,747	1,524,747
Other improvements	3,197,473	3,197,473
Total governmental funds capital assets	\$ 39,656,266	\$ 38,908,121
Investment in governmental funds capital assets		
General Fund	\$ 38,337,105	\$ 38,081,419
Capital Project Funds	1,319,161	826,702
Total investment in governmental funds capital assets	\$ 39,656,266	\$ 38,908,121

Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity

June 30, 2004

Function and Activity	Land	Buildings	Vehicles	Equipment	Airport Facilities	Other Improvements	Construction in Progress	Total
General Government:								
County Administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 76,275	\$ -	\$ 76,275
Tax Administration	-	-	93,362	136,035	-	-	109,819	339,216
Register of Deeds	-	17,665	-	68,808	-	16,000	-	102,473
Elections	-	-	-	316,175	-	-	-	316,175
Information Technology	-	-	-	603,912	-	-	-	603,912
Public Buildings	702,334	7,514,257	51,005	11,835	-	438,432	-	8,717,863
Other	-	-	-	7,202	-	-	-	7,202
Total General Government	702,334	7,531,922	144,367	1,143,967	-	530,707	109,819	10,163,116
Public Safety:								
Law Enforcement	-	8,614,309	1,191,097	154,916	-	339,901	-	10,300,223
Emergency Services	-	-	130,336	1,165,863	-	-	-	1,296,199
Building Inspections	-	-	66,882	-	-	-	-	66,882
Total Public Safety	-	8,614,309	1,388,315	1,320,779	-	339,901	-	11,663,304
Transportation	169,549	-	547,685	-	1,524,747	131,534	-	2,373,515
Environmental Protection	-	16,850	53,044	13,778	-	-	-	83,672
Economic and Physical Development	134,678	-	13,088	-	-	-	-	147,766
Human Services	346,775	5,813,237	779,004	270,559	-	-	-	7,209,575
Culture and Recreation	1,653,246	3,420,414	221,250	155,657	-	2,195,331	369,420	8,015,318
Total governmental funds capital assets	\$ 3,006,582	\$ 25,396,732	\$ 3,146,753	\$ 2,904,740	\$ 1,524,747	\$ 3,197,473	\$ 479,239	\$ 39,656,266

Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes by Function and Activity

Year Ended June 30, 2004

Function and Activity	Governmental Funds			Governmental Funds
	Capital Assets June 30, 2003	Additions	Deductions	
General Government:				
County Administration	\$ 76,275	\$ -	\$ -	\$ 76,275
Tax Administration	209,123	130,093	-	339,216
Register of Deeds	102,473	-	-	102,473
Elections	316,175	-	-	316,175
Information Technology	603,912	-	-	603,912
Public Buildings	8,768,363	-	50,500	8,717,863
Other	7,202	-	-	7,202
Total General Government	10,083,523	130,093	50,500	10,163,116
Public Safety:				
Law Enforcement	10,205,466	137,340	42,583	10,300,223
Emergency Services	1,202,010	94,189	-	1,296,199
Building Inspections	66,882	-	-	66,882
Total Public Safety	11,474,358	231,529	42,583	11,663,304
Transportation	2,351,739	89,588	67,812	2,373,515
Environmental Protection	69,894	13,778	-	83,672
Economic & Physical Development	147,766	-	-	147,766
Human Services	7,191,057	38,065	19,547	7,209,575
Culture & Recreation	7,589,784	425,534	-	8,015,318
Total governmental funds capital assets	\$ 38,908,121	\$ 928,587	\$ 180,442	\$ 39,656,266

THIS PAGE WAS INTENTIONALLY LEFT BLANK

Carteret County, North Carolina

Schedule of Ad Valorem Taxes Receivable
June 30, 2004

Fiscal Year	Uncollected Balance June 30, 2003	Additions	Collections	Adjustments	Uncollected Balance June 30, 2004
2003-2004	\$ -	\$ 32,140,548	\$ 31,217,821	\$ -	\$ 922,727
2002-2003	1,072,283	-	664,197	(6,779)	401,307
2001-2002	481,485	-	223,507	10,362	268,340
2000-2001	370,765	-	90,119	(679)	279,967
1999-2000	111,143	-	36,583	(861)	73,699
1998-1999	54,683	-	17,716	(166)	36,801
1997-1998	47,533	-	7,047	(313)	40,173
1996-1997	28,594	-	2,635	(241)	25,718
1995-1996	30,232	-	1,621	(57)	28,554
1994-1995	21,305	-	627	(100)	20,578
1993-1994	17,060	-	703	(37)	16,320
	<u>\$ 2,235,083</u>	<u>\$ 32,140,548</u>	<u>\$ 32,262,576</u>	<u>\$ 1,129</u>	<u>2,114,184</u>
Less write-off 1992-1993 tax year					<u>16,320</u>
					2,097,864
Less allowance for uncollectible ad valorem taxes receivable					<u>616,740</u>
Net property taxes receivable - General Fund					<u>\$ 1,481,124</u>
Reconciliation with revenue: Ad valorem taxes- General Fund					<u>\$ 32,262,576</u>

Carteret County, North Carolina

Analysis of Current Year's Tax Levy
Year Ended June 30, 2004

	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	\$ 7,450,526,905	0.42	\$ 31,292,213	\$ 30,102,901	\$ 1,189,312
Motor vehicles taxes at prior year's rate	214,724,195	0.42	901,842	-	901,842
Total	7,665,251,100		32,194,055	30,102,901	2,091,154
Discoveries:					
Current year taxes	27,648,095		116,122	114,844	1,278
Corrections	(85,615,238)		(359,584)	65,584	(425,168)
Total	(57,967,143)		(243,462)	180,428	(423,890)
Abatements	45,227,381		189,955	(153,590)	343,545
Total property valuation	\$ 7,652,511,338				
Net levy-General Fund			32,140,548	30,129,739	2,010,809
Uncollected taxes at June 30, 2004 - General Fund			922,727	642,950	279,777
Current year's taxes collected - General Fund			<u>\$ 31,217,821</u>	<u>\$ 29,486,789</u>	<u>\$ 1,731,032</u>
Current levy collection percentage - General Fund			<u>97.13%</u>	<u>97.87%</u>	<u>86.09%</u>

Carteret County, North Carolina

Government-wide Revenues
Second Fiscal Year

Table 1

Fiscal Year	Program Revenues			General Revenues					Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Grants and Contributions Not Restricted to Specific Programs	Unrestricted Investment Earnings	Miscellaneous	Water	
2003	\$ 3,983,307	\$ 7,718,090	\$ 1,965,780	\$ 50,739,617	\$ 669,380	\$ 447,847	\$ 189,567	\$ 1,793,562	\$ 67,507,150
2004	4,803,148	8,567,418	2,300,119	52,993,102	695,920	266,890	119,700	176,391	69,922,688

Carteret County, North Carolina

Government-wide Expenses
Second Fiscal Year

Table 2

Fiscal Year	Government	Public Safety	Transportation	Physical	Protection	Services	Recreation	Education	Long-Term	Water	Total
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
2004	3,700,481	11,636,799	669,794	4,271,109	2,964,017	14,105,489	4,260,435	27,615,077	3,339,354	394,360	72,956,915

Carteret County, North Carolina

General Governmental Revenues, By Source ⁽¹⁾
Last Ten Fiscal Years

Table 3

Fiscal Year Ended June 30	Ad Valorem Taxes	Other Taxes and Licenses	Permits and Fees	Intergovernmental	Sales and Services	Investment Earnings	Miscellaneous	Total Revenue
1995	\$ 18,247,444	\$ 9,603,424	\$ 1,085,046	\$ 5,961,632	\$ 1,801,137	\$ 689,460	\$ 1,370,510	\$ 38,758,653
1996	20,280,173	10,083,350	1,073,019	5,910,131	1,698,697	832,806	60,618	39,938,794
1997	21,305,801	10,610,240	1,165,644	7,906,364	931,881	931,114	216,429	43,067,473
1998	23,830,199	11,866,765	1,291,897	7,676,826	943,704	1,147,860	200,659	46,957,910
1999	24,481,785	12,539,196	1,331,064	7,280,730	1,006,710	1,096,689	531,407	48,267,581
2000	29,352,572	13,198,118	1,245,765	10,270,375	1,305,467	1,253,627	224,114	56,850,038
2001	30,819,589	14,023,012	1,423,786	8,615,850	1,236,249	1,117,627	132,050	57,368,163
2002	34,552,936	15,059,252	1,602,838	9,521,296	1,567,251	358,359	175,399	62,837,331
2003	34,856,263	12,254,468	2,111,540	8,259,055	1,784,053	315,026	308,426	59,888,831
2004	36,273,316	17,090,746	2,618,847	11,440,148	1,862,663	200,355	223,359	69,709,434

Notes:

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

Carteret County, North Carolina

General Governmental Expenditures, By Function ⁽¹⁾
Last Ten Fiscal Years

Table 4

Fiscal Year Ended June 30	General Government	Public Safety	Transportation	Economic and Physical Development			Human Services	Environmental Protection	Cultural and Recreation	Education	Capital Projects	Debt Service	Total Expenditures
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		
2004	3,438,530	11,294,641	579,790	4,016,911	13,719,420	2,958,295	2,007,580	17,976,423	3,296,200	7,365,733	66,653,523		

Notes:

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

2 1994 increase reflects retirement of

Carteret County, North Carolina

Property Tax Levies & Collections (1)(2)
Last Ten Fiscal Years

Table 5

Fiscal Year Ended June 30	Total Tax Levy (1)(2)	Collections of Current Levy	Percent of Current Taxes Collected	Collections of Prior Levy	Total Property Taxes Collected	Ratio of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Tax Levy
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%
2004	32,140,548	31,217,821	97.13%	1,044,755	32,262,576	100.38%	2,097,864	6.53%

Notes:

(1) Includes General and Special Revenue Funds fiscal year 1995 - 2000; fiscal years 2001 - 2004 include General Fund.

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

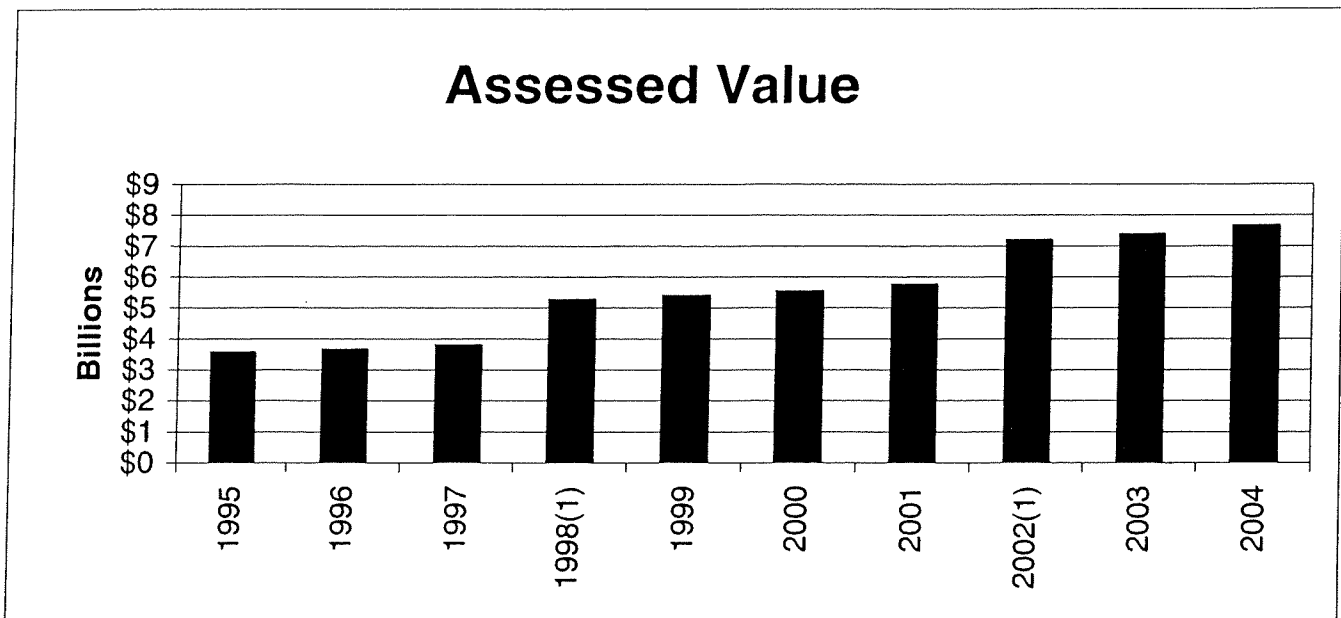
Carteret County, North Carolina

Assessed Value of Property⁽²⁾⁽³⁾
Last Ten Fiscal Years

Table 6

Fiscal Year Ended June 30	Real Property	Personal Property	State Certified	Total Assessed Valuation
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
2004	6,842,280,986	711,166,262	99,064,090	7,652,511,338

- 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

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<i>Municipalities</i>										
Carteret County	0.4600	0.5100	0.5100	0.4200	0.4200	0.5000	0.5100	0.4400	0.4200	0.4200
Atlantic Beach	0.4500	0.4500	0.4500	0.3500	0.3100	0.3100	0.2900	0.2100	0.2300	0.2300
Beaufort	0.4050	0.4050	0.4050	0.3450	0.3450	0.3450	0.3850	0.3400	0.3600	0.3600
Boque ¹			0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
Cape Carteret	0.3500	0.3500	0.3500	0.2600	0.2600	0.2600	0.2600	0.2300	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	0.2000	0.2150	0.1750	0.1850	0.1950	0.1950	0.1750	0.1850	0.1750
Indian Beach	0.1900	0.1900	0.2300	0.1700	0.1700	0.1700	0.1700	0.1600	0.1600	0.1600
Morehead City	0.4500	0.4500	0.4500	0.4000	0.4600	0.4000	0.4000	0.3800	0.3800	0.3800
Newport	0.4600	0.4600	0.4600	0.4200	0.4200	0.4200	0.4500	0.4300	0.4300	0.4300
Pelletier ²				0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
Pine Knoll Shores	0.2050	0.2100	0.2100	0.1600	0.1600	0.1600	0.1600	0.1600	0.1700	0.1800
<i>Fire Districts</i>										
Atlantic	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0400	0.0550	0.0650
Atlantic Beach ⁴	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	-	-
Beaufort	0.0825	0.0825	0.0825	0.0680	0.0600	0.0600	0.0600	0.0500	0.0600	0.0600
Broad & Gales Creek	0.0600	0.0600	0.0600	0.0500	0.0400	0.0400	0.0400	0.0350	0.0400	0.0400
Cape Carteret	0.0400	0.0400	0.0400	0.0400	0.0400	0.0400	0.0550	0.0700	0.0700	0.0700
Cedar Island	0.0900	0.0900	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Davis	0.0800	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Harkers Island	0.0400	0.0410	0.0410	0.0400	0.0400	0.0400	0.0600	0.0600	0.0600	0.0600
Harlowe	0.0550	0.0500	0.0500	0.0550	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	0.0600	0.0700	0.0700
Mill Creek	0.0600	0.0600	0.0600	0.0600	0.0600	0.0550	0.0700	0.0550	0.0550	0.0550
Mitchell Village	0.0800	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	0.0650	0.0600	0.0600	0.0600	0.0550	0.0700	0.0800
North River	0.0900	0.0900	0.0900	0.0900	0.0900	0.0900	0.0900	0.0700	0.0750	0.0750
Otway	0.0500	0.0500	0.0500	0.0400	0.0400	0.0400	0.0400	0.0400	0.0400	0.0400
Salter Path	0.0600	0.0600	0.0600	0.0600	0.0500	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	0.0600	0.0600	0.0600	0.0600	0.0500	0.0800	0.0750
<i>Rescue Districts</i>										
Beaufort	0.0450	0.4500	0.0450	0.0450	0.0450	0.0450	0.0450	0.0400	0.0550	0.0550
Broad & Gales Creek	0.0200	0.0200	0.0200	0.0200	0.0150	0.0150	0.0200	0.0200	0.0350	0.0450
Cape Carteret	0.0250	0.0250	0.0250	0.0250	0.0200	0.0470	0.0500	0.0500	0.0500	0.0500
Mitchell Village	0.0400	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	0.0250	0.0500	0.0600	0.0450	0.0550	0.0550
Sea Level	0.0700	0.0700	0.0700	0.0900	0.0900	0.1000	0.1000	0.1375	0.1675	0.1675
Mill Creek ³						0.0100	0.0100	0.0100	0.0200	0.0200
<i>Beach Nourishment Districts</i>										
Salter Path ⁵									0.4300	0.4300
Indian Beach Non Ocean Front ⁵									0.0500	0.0500
Indian Beach Ocean Front ⁶									0.4800	0.4800
Emerald Isle Non Ocean Front ⁵									0.0300	0.0300
Emerald Isle Ocean Front ⁶									0.4800	0.4800
Pine Knoll Shores Ocean Front ⁶										0.4200
Pine Knoll Shores Non Ocean Front ⁶										0.0600

Notes:

- ¹First Year Tax District 1997
- ²First Year Tax District 1998
- ³First Year Tax District 2000
- ⁴Annexed by town of Atlantic Beach 2002
- ⁵First Year Tax District 2003
- ⁶First Year Tax District 2004

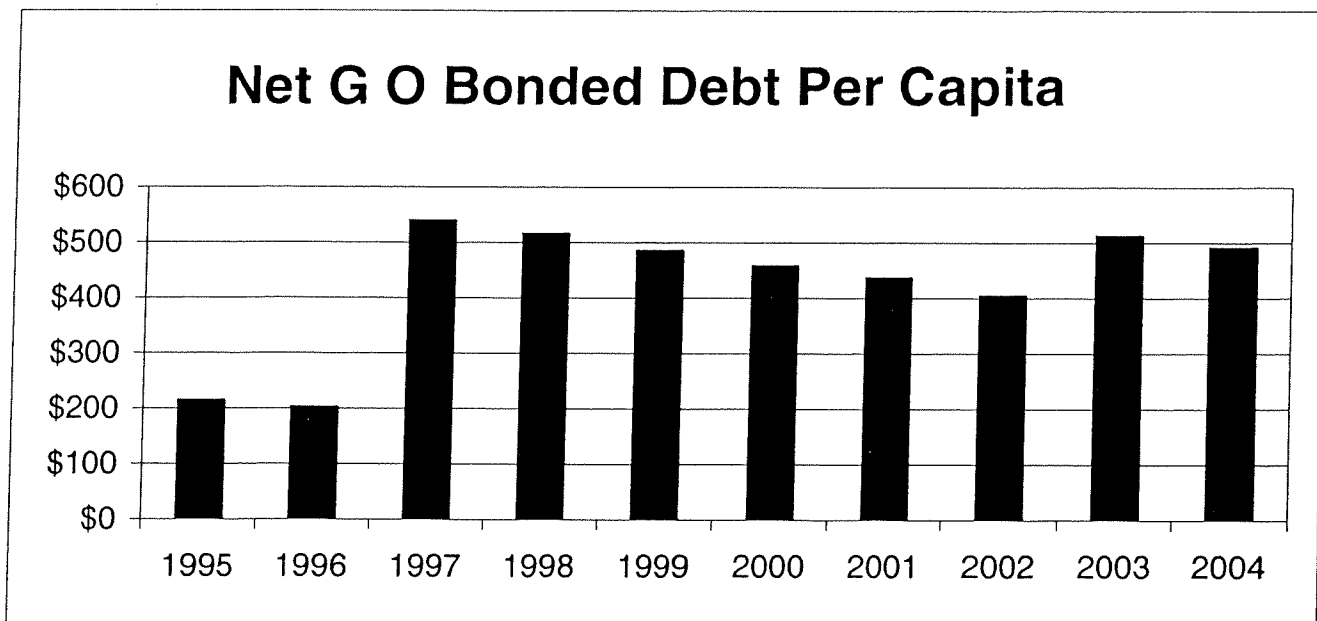
Carteret County, North Carolina

Ratio of General Obligation Debt to Assessed Value & General Obligation Bonded Debt Per Capita Last Ten Fiscal Years

Table 8

Fiscal Year Ended June 30	Assessed Value	Net General Obligation Bonded Debt	Ratio of Net General Obligation Bonded Debt to Assessed Value	Population ⁽¹⁾	Net General Obligation Bonded Debt Per Capita
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
2004	7,652,511,338	29,695,000	0.39%	60,574	490.23

Notes: (1) NC Office of State Planning



Carteret County, North Carolina

Computation of Legal Debt Margin
June 30, 2004

Table 9

Assessed Values of Property		<u>\$ 7,652,511,388</u>
Debt Limit 8 percent of Assessed Value		612,200,907
Gross Debt:		
Total Bonded Debt	\$ 52,095,000	
Installment Debt	<u>2,516,572</u>	
Total Amount of Debt Applicable to Debt Limit		<u>54,611,572</u>
Legal Debt Margin		<u><u>\$ 557,589,335</u></u>

Carteret County, North Carolina

Property Value, Construction, and Bank Deposits
Last Ten Fiscal Years

Table 14

Fiscal Year Ended June 30	Property Value	Construction ⁽²⁾ Number of Permits Issued	Construction Value	Bank Deposits ⁽¹⁾
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	676,394,000
2003	7,366,410,909	2,710	54,070,339	687,816,000
2004	7,652,511,338	3,326	70,211,131	*

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, 2004

Table 15

Date of Establishment	1722
Form of Government	Commission-Manager
Area	526 Square Miles
Carteret County Facilities and Services:	
Fire protection:	
Number of stations	24
Number of firemen and officers	615
Number of patrol units	1,850
Police protection:	
Number of stations	1
Number of deputies and officers	50
Number of patrol units	20
Inspections:	
Number of building permits issued (1)	3,326
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 patient beds	117
Facilities and services not included in the reporting entity:	
Education (3):	
Number of schools	16
Number of teachers	700
Number of students	8,259
Cultural and recreational (4):	
Number of libraries	4
Number of volumes	85,820

Sources:

- (1) Permits issued for fiscal year 2004
- (2) Carteret General Hospital
- (3) Carteret County Board of Education
- (4) Carteret County Library

THIS PAGE WAS INTENTIONALLY LEFT BLANK

McGladrey & Pullen

Certified Public Accountants

**Independent Auditor's Report
on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
*Government Auditing Standards***

To the Board of County Commissioners
Carteret County, North Carolina

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carteret County, North Carolina as of and for the year ended June 30, 2004, which collectively comprise Carteret County's basic financial statements, and have issued our report thereon dated September 24, 2004. We did not audit the financial statements of Carteret County General Hospital Corporation, Carteret County Alcoholic Beverage Control ("ABC") Board, Beaufort-Morehead City Airport Authority or Carteret County Tourism Development Authority, which are all of the County's discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Carteret County General Hospital Corporation and Carteret County Alcoholic Beverage Control Board were not audited in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

The auditors of Beaufort – Morehead City Airport Authority noted a certain matter in their report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

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

McGladrey & Pullen, LLP

Morehead City, North Carolina
September 24, 2004

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

Compliance

We have audited the compliance of Carteret County, North Carolina, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2004. Carteret County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Carteret County's management. Our responsibility is to express an opinion on Carteret County's compliance based on our audit.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Carteret County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Carteret County's compliance with those requirements.

In our opinion, Carteret County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

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

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

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

McGladrey & Pullen, LLP

Morehead City, North Carolina
September 24, 2004

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

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, 2004. Carteret County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Carteret County's management. Our responsibility is to express an opinion on Carteret County's compliance based on our audit.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Carteret County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Carteret County's compliance with those requirements.

In our opinion, Carteret County complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2004.

Internal Control Over Compliance

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

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

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

McGladrey & Pullen, LLP

Morehead City, North Carolina
September 24, 2004

Carteret County, North Carolina

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

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 programs:

<u>Program Name</u>	<u>CFDA</u>
Medical Assistance	93.778
Food Stamp Cluster	10.551/10.561

Carteret County, North Carolina

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2004

Section 1. Summary of Auditor's Results (Continued)

Dollar threshold used to distinguish
between Type A and Type B Programs \$ 1,232,455

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>
Public School Building Capital Fund	N/A

Carteret County, North Carolina

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2004**

Section 2. Financial Statement Findings

None reported.

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, 2004**

No corrective action plan is required for the current year.

Carteret County, North Carolina

**Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2004**

No prior year findings.

Carteret County, North Carolina

Schedule of Expenditures of Federal and State Awards (Continued)
For the Fiscal Year Ended June 30, 2004

	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		\$ 15,865	\$ -	\$ 58,276
Passed through NC Department of Health and Human Services:					
Division of Public Health:					
Administered by County Health Department:					
Special Supplemental Nutrition Program for Women, Infants and Children					
	10.557		142,567	-	52,542
Benefit Payments - noncash					
	10.557		778,645	-	-
<hr/>					
			921,212	-	52,542
Passed through NC Department of Health and Human Services:					
Division of Social Services:					
Administered by County Department of Social Services:					
State Administrative Matching Grants for the Food Stamp Program					
Food Stamp Cluster:					
Food Stamp Benefit Payments - noncash					
	10.551		3,061,327	-	-
Food Stamp Admin					
	10.561		206,300	-	206,300
Food Stamp E&T & Depend Care					
	10.561		2,076	-	2,076
Food Stamp Fraud Admin					
	10.561		23,528	-	23,528
<hr/>					
			3,293,231	-	231,904
Passed through NC Dept. of Health and Human Services					
NC Division of Aging, Eastern Carolina Council					
NSIP-Nutrition (USDA Title C1, C2)					
	10.550		12,551	-	-
<hr/>					
Total US Department of Agriculture			4,242,859	-	342,722
US Dept of Homeland Security, Office for Domestic Preparedness					
Passed through NC Department of Crime Control and Public Safety,					
Division of Emergency Management					
Homeland Security Grant					
	97.007		96,722	-	-
Passed through NC Department of Crime Control and Public Safety					
Administered by Carteret County Emergency Management					
Public Assistance Grants					
	97.036		473,350	157,783	-
<hr/>					
Total US Dept of Homeland Security			570,072	157,783	-
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	233,754	-	-
US Department of Interior:					
Direct Program:					
Administered by County Finance Department:					
National Forest, Public Schools					
	15.225		60,706	-	-

(Continued)

Carteret County, North Carolina

Schedule of Expenditures of Federal and State Awards (Continued)
For the Fiscal Year Ended June 30, 2004

	CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
US Department of Labor:					
Passed through NC Department of Health and Human Services					
NC Division of Aging:					
Passes through Eastern Carolina Council of Governments					
Administered by Senior Center Department					
Senior Community Service Employment Program Title V	17.235		\$ 45,944	\$ -	\$ 5,105
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 Progr	20.509		50,266	3,142	12,547
US Department of Health and Human Services:					
Passed through NC Department of Health and Human Services					
NC Division of Aging, Eastern Carolina Council - Aging Cluster					
Title III D	93.043		7,654	450	900
HCCBG - C1 Congregate Meals	93.044		40,837	2,403	4,804
HCCBG-C2 Home Delivered Meals	93.044		35,853	2,109	4,218
HCCBG In-Home Support Services	93.045		172,093	10,123	20,246
HCCBG - Access	93.045		68,103	4,006	8,012
			<u>324,540</u>	<u>19,091</u>	<u>38,180</u>
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		403,246	(17)	25
Work First Administration	93.558		108,932	-	70,736
TANF Domestic Violence	93.558		10,175	-	-
TANF TEA Foster Care	93.558		37,762	-	-
TANF Up	93.558		30,502	-	-
Work First Service	93.558		723,926	-	418,984
TANF EA - Maximization	93.558		-	-	20,124
TANF EA - Regular	93.558		-	-	11,072
			<u>1,314,543</u>	<u>(17)</u>	<u>520,941</u>
Passed through NC Department of Health and Human Services					
Division of Social Services:					
Administered by Carteret County Department of Social Services					
CCDF	93.596		75,991	-	-
			<u>75,991</u>	<u>-</u>	<u>-</u>
Passed through NC Department of Health and Human Services					
Administered by Carteret County Department of Social Services					
Low Income Home Energy Assistance:					
Benefit payments	93.568		87,281	-	-
Administration	93.568		13,366	-	-
Crisis Intervention payments	93.568		46,466	-	-
			<u>147,113</u>	<u>-</u>	<u>-</u>

(Continued)

Carteret County, North Carolina

Schedule of Expenditures of Federal and State Awards (Continued)
For the Fiscal Year Ended June 30, 2004

	CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
Passed through NC Department of Health and Human Services					
Administered by Carteret County Department of Social Services					
Subsidized Child Care Cluster:					
Child Care & Development Fund-Discretionary	93.575		\$ 878,500	\$ -	\$ -
Child Care & Development Fund-Mandatory	93.596		313,418	-	-
Child Care & Development Fund-Match	93.596		46,851	27,746	-
SSBG	93.667		27,764	-	-
Temporary Assistance for Needy Families	93.558		158,711	-	-
State Appropriations			-	185,971	-
TANF- MOE			-	232,542	-
			<u>1,425,244</u>	<u>446,259</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		14,113	4,704	-
Special	93.645		14,055	-	4,685
			<u>28,168</u>	<u>4,704</u>	<u>4,685</u>
Foster Care and Adoption Cluster:					
Title IV-E Foster Care:					
IV E CPS	93.658		138,350	35,595	102,755
IV-E Optional	93.658		134,701	-	134,701
Foster Care in excess	93.658		55,433	-	32,825
Foster Care payments	93.658		116,090	34,392	34,392
Title IV-E adoption subsidy	93.659		112,918	33,949	33,949
			<u>557,492</u>	<u>103,936</u>	<u>338,622</u>
Passed through NC Department of Health and Human Services					
Administered by County Department of Social Services:					
Social Services Block Grant:					
Family Planning:					
In-home Services	93.667		24,675	-	3,525
In-home Services - SSBG	93.667		166,587	18,249	61,612
			<u>191,262</u>	<u>18,249</u>	<u>65,137</u>
Passed through NC Department of Health and Human Services					
Administered by County Department of Social Services:					
Links	93.674		1,085	271	-
Passed through NC Department of Health and Human Services					
Administered by County Department of Social Services:					
NC Health Choice	93.767		35,869	3,145	9,523
Passed through NC Department of Health and Human Services					
Division of Medical Assistance					
Medical Assistance:					
Benefit payments	93.778		30,616,669	13,533,843	2,305,904
Administration	93.778		718,043	26,512	604,634
Transportation Service	93.778		7,076	3,126	552
Transportation	93.778		18,422	-	18,422
			<u>31,360,210</u>	<u>13,563,481</u>	<u>2,929,512</u>

(Continued)

Carteret County, North Carolina

Schedule of Expenditures of Federal and State Awards (Continued)
For the Fiscal Year Ended June 30, 2004

	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		\$ 16,657	\$ -	\$ -
Harmful Algal Blooms Program	93.283		98,996	-	-
Social Services Block Grant	93.667		9,916	-	-
Coop Agreement for Breast & Cervical Cancer	93.919		18,540	-	33,769
Cardiovascular Health Program	93.945		250	-	-
Statewide Health Promotion Program	93.991		22,311	-	44,795
Maternal & Child Health Services Block Grant	93.994		240,802	-	239,869
			407,472	-	318,433
Total US Department of Health and Human Services			35,868,989	14,159,119	4,225,033
State Assistance					
NC Department of Juvenile and Delinquency Prevention:					
Juvenile Crime Prevention Program:					
Administered by County Department of Social Services:					
A.N.C.H.O.R.			-	54,891	-
Administered by County Finance Department:					
Services for Court Referrals					
Juvenile Restitution Fund			-	45,551	-
Juvenile Crime Prevention			-	1,837	-
Teen Court			-	38,433	-
			-	85,821	-
Total NC Department of Juvenile and Delinquency Prevention			-	140,712	-
NC Department of Health and Human Services:					
Division of Social Services:					
Administered by County Department of Social Services:					
Adoption/ Foster Care			9,258	-	44,268
State/County Special Assistance Benefit payments			-	359,128	359,128
Energy Assistance, Carolina Power & Light Project			-	6,796	-
Aid to Counties			-	35,411	-
TANF / AFDC Program Integrity			-	6,632	-
CWS Adopt Subsidy & Vendor			-	59,069	18,656
Foster Care At Risk Maximization			-	1,319	782
State Foster Home			-	38,304	38,304
			9,258	506,659	461,138
Division of Aging:					
Passed through Eastern Carolina Council of Government					
Administered by the County Department of Social Services					
In-house Services 90% State Funds					
Senior Center Development					
Operation Fan	NC-15		-	6,260	-
Division of Public Health:					
Administered by County Health Department:					
AIDS			-	500	-
Communicable Disease			-	1,800	-
Environmental Health			-	20,180	795,268
Health Center			-	17,139	898,264
Immunization			-	6,237	-
Risk Reduction/ Health Promotion			-	12,883	-
TB Medical Services			-	1,700	-
Tuberculosis			-	11,152	74,138
			-	71,591	1,767,670

(Continued)

Carteret County, North Carolina

Schedule of Expenditures of Federal and State Awards (Continued)
For the Fiscal Year Ended June 30, 2004

Page 5 of 6

	CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
Division of Child Development:					
Passed through Carteret County Partnership for Children					
Smart Start			\$ -	\$ 24,591	\$ -
Total NC Department of Health and Human Services			9,258	609,101	2,228,808
NC Department of Environment and Natural Resources:					
Natural Resources Division:					
Passed through County Finance Office:					
White Goods Disposal			-	39,907	-
Scrap Tire Disposal			-	56,496	-
			-	96,403	-
Division of Parks and Recreation:					
Administered by the County Parks and Recreation Department					
Eastern Park Project			-	141,959	227,461
Total NC Department of Environment and Natural Resources			-	238,362	227,461
NC Department of Corrections:					
Administered by the County Finance Office:					
Criminal Justice Partnership Program			-	44,549	-
NC Department of Administration:					
Division of Veterans Affairs:					
Administered by County Veterans Services:					
Veterans Services			-	2,000	156,814
Other:					
Sexual Assault/Rape Crisis			-	17,912	3,582
Criminal Justice System Advocate Rape Crisis		016-1-02-B10-AV-041	-	27,566	6,891
Domestic Violence			-	29,500	8,000
Marriage License			-	12,655	-
Rape Prevention			-	14,373	3,593
ESGP			-	7,376	7,345
Carolinas House			-	7,240	8,400
Total NC Department of Administration			-	118,622	194,625

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
 For the Fiscal Year Ended June 30, 2004

	CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
NC Department of Public Instruction:					
Public School Bond Fund					
Administered by the County Finance Department					
Public School Building Capital Fund			\$ -	\$ 355,900	\$ 1,544,700
NC Department of Transportation					
DOT Transportation Coordinator Grant		DOT-16CL	-	101,578	151,972
DOT Transportation Capital Grant		DOT-14	-	79,380	8,805
			-	180,958	160,777
NC Health & Wellness Trust Fund					
Administered by Carteret County Aging Department					
Prescription Asst./ Medical Management		536401007	-	14,448	-
Total Federal Expenditures			<u>\$ 41,081,848</u>		
Total State Expenditures				<u>\$ 15,666,796</u>	
Total Local Expenditures					<u>\$ 7,397,077</u>

Carteret County, North Carolina

**Notes to Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2004**

Note 1. General

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

Note 2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal and State Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the County's basic financial statements, except 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 fund financial statements, are included herein.

Note 3. Relationship to Fund Financial Statements

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