

CARTERET COUNTY NORTH CAROLINA



Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2013

CARTERET COUNTY
NORTH CAROLINA

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2013

Prepared By Finance Department
Dee Meshaw, Assistant County Manager
Finance Director

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Introductory Section

Introductory Section

Letter of Transmittal

List of Principal Officials

Organizational Chart

Map of Carteret County, North Carolina



CARTERET COUNTY FINANCE

Denise H. Meshaw, CPA
Assistant County Manager
Finance Department



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www.carteretcountygov.org

November 22, 2013

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, 2013.

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 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, 2013 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the County's financial statements for the fiscal year ended June 30, 2013, 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 67,700 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 Onslow Carteret Behavior 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 37 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 to be slightly better than the state’s economy. Annual unemployment average was 8.48% for the County compared to 9.30% in the prior year, and those rates are lower than the state’s average unemployment rate of 9.28%. Even in this slow economy, the tourism industry continues to perform well with an average annual economic impact of \$282.03 million, a 1.18% increase from the previous year. Carteret County ranks fourteenth in the state for tourism. In addition, the county continues to be diverse with manufacturing, distribution, research, and the construction trades.

Industrial Parks

The Jarrett Bay Marine Industrial Park is approximately 170 acres north of Beaufort on the Intracoastal Waterway. The Park concentrates on the boat industry, and has rapidly evolved into one of the most comprehensive one stop service supply facilities on the east coast. Carteret County has thirty boat builders, the largest number in North Carolina. The Park continues to expand with 98% of the land sold.

Crystal Coast Business Park is located off US Route 70 in Morehead City. The park is 58 acres with eleven parcels. Seven parcels have been sold. The County continues its efforts to recruit businesses to this park. Parcel sizes vary from approximately 2 acres to over 10 acres.

Morehead City State Port

The Morehead City Port is one of the deepest ports on the east coast with a forty-five foot depth and only four miles from the Atlantic Ocean. The port handles both break bulk and bulk cargo and is the second largest importer in the country for natural rubber. Commodities such as rubber, phosphate, lumber, steel, and wood pulp go through the port. In fiscal year 2013, the Morehead City port exported more than 190,000 tons of wood chips, and imported more than 141,000 tons of raw rubber.

Retail

Retail continues to expand in Carteret County. The County continues to see modest expansion in chain restaurants and retail. Some highlights of expansion last fiscal year included completion of Hobby Lobby, Sear Appliance Store and Longhorn Steakhouse. Currently, Belk is currently expanding its location.

The following table lists the 10 largest manufacturing and nonmanufacturing employers in the County in 2013:

Employer	Service	Approximate Number of Employees
Carteret County Public Schools	Education	1,076
Carteret General Hospital	Medical	1,000
Carteret County	Government Service	571
NC Department of Transportation	Transportation	553
Wal-Mart	Retail	424
Carteret Community College	Education	381
US Coast Guard	Military	275
Lowe's Home Improvements	Retail	274
Lowe's Foods	Retail	237
Food Lion	Retail	200

Source: Carteret County Economic Development Council

Long-Term Financial Planning

The County's total operating budget for the fiscal year ending June 30, 2014 totals \$93,638,350 with a General Fund tax rate of \$.29 per \$100 of assessed value, based on a total valuation of \$15.25 billion. The County's assessed value represents approximately a .6% increase from the assessed value used in the June 30, 2013 budget. The County anticipates slight growth in its tax base for the fiscal year ending June 30, 2014. For the County's operating budget for the fiscal year June 30, 2015, it is anticipated that the tax rate would need to be between \$.29 and \$.30 per \$100 of the current assessed value to maintain the current level of service.

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

Major Initiatives

The County has several initiatives for fiscal year 2014. The County is developing a facilities master plan to address space needs for social services, courts, Sheriff Division, and County administration needs. The County's plan is to engage services with an architectural firm by the middle of the fiscal year to prepare the master plan. In addition, the county continues to fund park improvements, other building improvements, as well as capital improvements for our schools and community college.

The County continues to place emphasis on beach nourishment. Effective January 1, 2014, the occupancy tax increases from 5% to 6%. This additional one percent will be reserved for beach nourishment. The estimated annual revenue from the one percent increase is approximately \$900,000.

The County continues its initiatives in the fiscal year 2014 budget to improve public safety. The fiscal year 2014 budget funds equipment and expanded staffing levels.

In fiscal year 2013, the County completed its \$3.51 million water system improvement project. In fiscal year 2014, the County continues to fund pay as you go capital improvements to improve efficiency in operations.

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, 2012. This was the fifteenth 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, 2013. In order to qualify for the Distinguished Budget Presentation Award, the County's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

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

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

Sincerely,

A handwritten signature in cursive script that reads "Dee Meshaw".

Dee H. Meshaw
Assistant County Manager Finance

CARTERET COUNTY, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS JUNE 30, 2013

BOARD OF COMMISSIONERS

GREGORY LEWIS
Chairman

Morehead City, North Carolina

ROBIN COMER
Vice Chairman
Stella, North Carolina

ELAINE CRITTENTON
Mill Creek, North Carolina

JIMMY FARRINGTON
Emerald Isle, North Carolina

TERRY FRANK
Morehead City, North Carolina

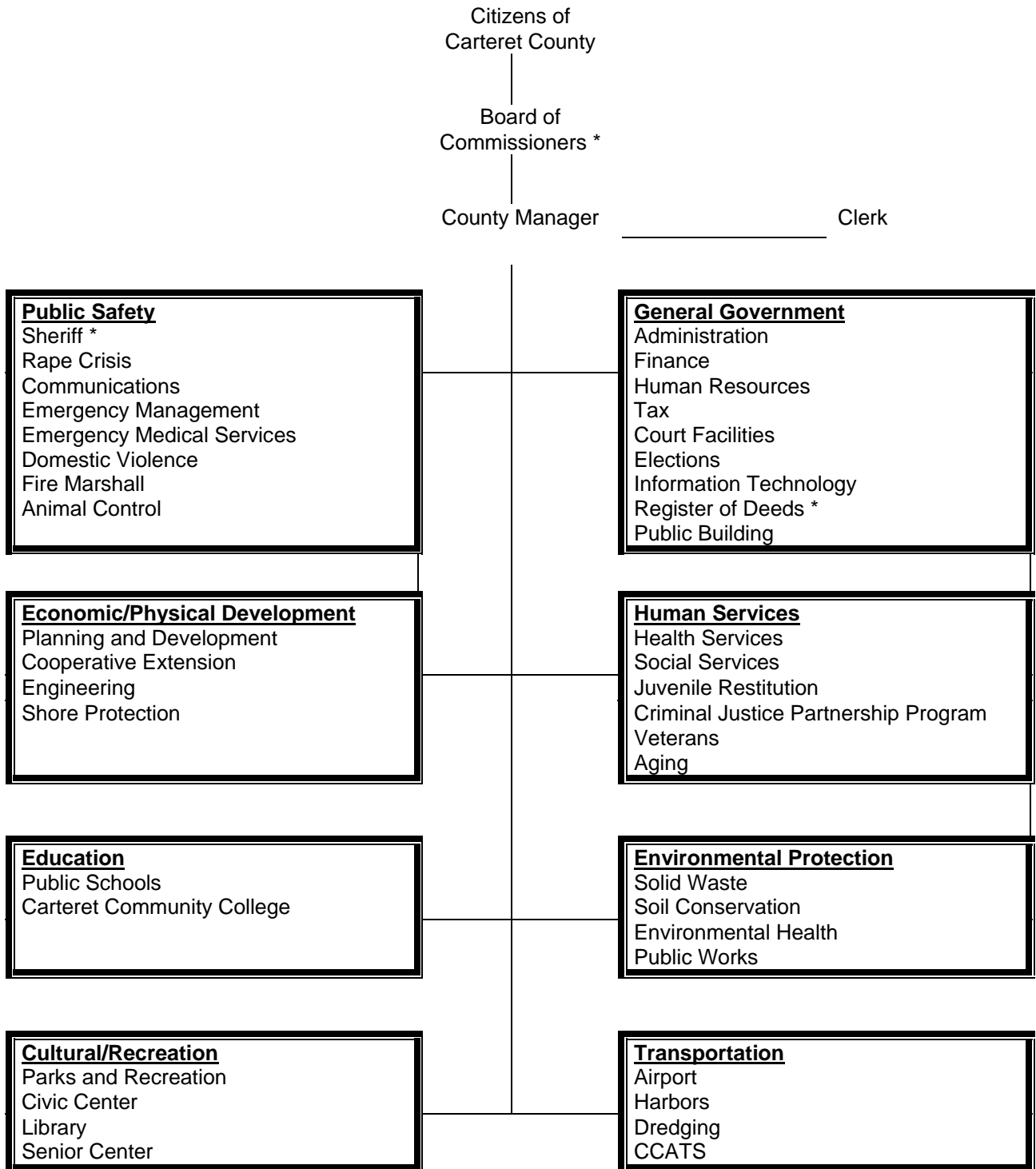
JONATHAN ROBINSON
Atlantic, North Carolina

BILL SMITH
Newport, North Carolina

COUNTY OFFICIALS

W. Russell Overman	County Manager
Dee H. Meshaw	Assistant County Manager Finance Director
Chris Turner	Assistant County Manager, Human Resources Director
Asa Buck III	Sheriff
Joy Lawrence	Register of Deeds
J.T. Garrett	Health Director
Jim Jennings	Planning and Development Director
David Atkinson	Social Services Director
John Ford	Emergency Management Director
Tina Purifoy	Parks and Recreation/ Civic Center Director
Carl Tilghman	Tax Administrator
Ray Hall	Information Technology Director

**Carteret County, North Carolina
Organizational Chart**



* Elected Officials

**MAP OF
CARTERET COUNTY, NORTH CAROLINA**



<u>Carteret County</u>	
Population	68,645
Area	526 sq. miles
Date Est.	1722
County Seat	Beaufort



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Carteret County
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO



Financial Section

Financial Section

Independent Auditor's Report

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

Basic Financial Statements

Notes to Financial Statements

Required Supplementary Information



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Carteret County, North Carolina as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Carteret County Tourism Development Authority, Beaufort-Morehead City Airport Authority, Carteret County Alcoholic Beverage Control (ABC) Board or Carteret County General Hospital Corporation, which represent 100% of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Carteret County Tourism Development Authority, Beaufort-Morehead City Airport Authority, Carteret County ABC Board and Carteret General Hospital Corporation, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Carteret County Tourism Development Authority, Carteret County ABC Board and Carteret County General Hospital Corporation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2013, and the changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund and the occupancy tax fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 22 to the financial statement, in the year ending June 30, 2013, the County adopted new accounting guidance Governmental Accounting Standard Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions, and the Other Postemployment Benefits' Schedules of Funding Progress and the Employer Contributions on pages 17 through 27 and 91 through 94, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carteret County's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and other schedules listed in the table of contents as Other Supplementary Information and the 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining and individual nonmajor fund financial statements and other schedules listed as other supplementary information and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and statistical tables of the Comprehensive Annual Financial Report are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2013, on our consideration of Carteret County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Carteret County's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "McGladrey LLP".

Morehead City, North Carolina
November 22, 2013



Management Discussion and Analysis

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited) June 30, 2013

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, 2013. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

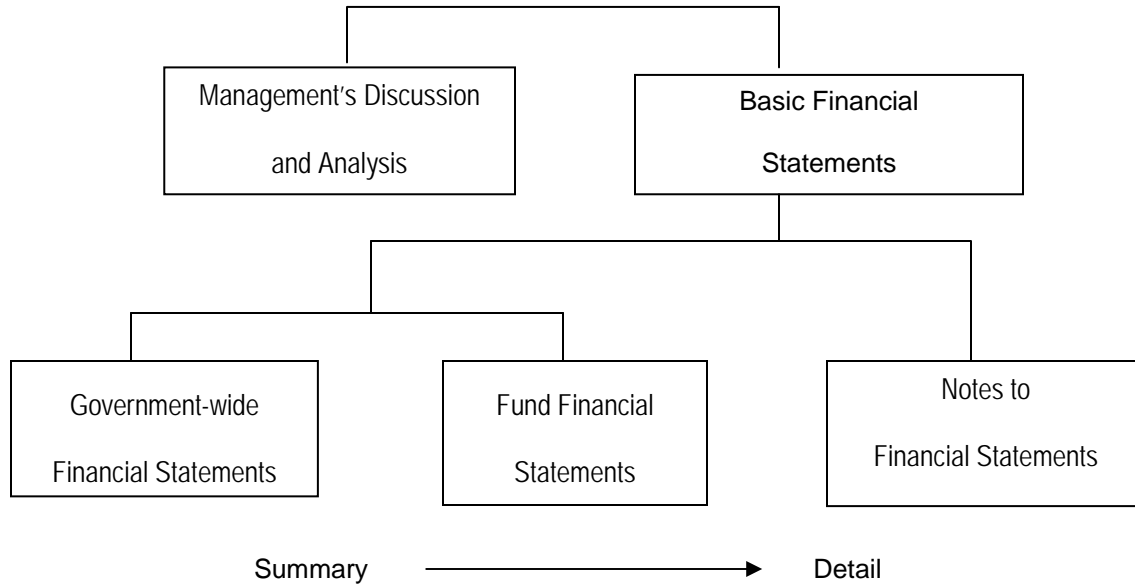
- The assets and deferred outflows of resources of Carteret County (primary government) were greater than its liabilities and deferred inflows of resources at the close of the fiscal year by \$25,336,230 (*net position*).
- The government's total net position increased by \$3,991,138, due to an approximate \$2M gain on the sale of certified beds at Taylor Extended Care Facility and an approximate \$1.75M of federal and state grants received upon the completion of the Highway 101 water project.
- As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$52,918,011, after a net decrease in fund balance of \$2,647,928. Approximately 33.2 percent of this total amount or \$17,613,483 is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$30,527,492 or 42.8 percent of total General Fund expenditures, excluding other financing uses, for the fiscal year.
- The County's total long-term debt (Figure 5) decreased by \$7,045,212 due to retiring debt principal.
- The County maintained its AA+ (Standard & Poor's and Fitch Ratings) and Aa1 (Moody's Investor Services) for the second year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

The next section of the basic financial statements is the **notes**. The notes to financial statements explain in detail some of the data contained in those statements. Following the notes is the **required supplemental information**. This section contains funding information about the County's pension and other postemployment benefit plans.

After the required supplemental information, additional **supplemental information** is provided to show details about the County's non-major governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

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

The two government-wide statements report the County's net position and how it has changed. Net position is the difference between the County's total assets plus deferred outflows and total liabilities plus deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

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

The government-wide financial statements are on pages 30-33 of this report.

Fund Financial Statements

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

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

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited) June 30, 2013

The County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the Statement of Revenues, Expenditures and Changes in Fund Balance. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. The governmental fund financial statements are on pages 34 - 38 of this report.

Proprietary Funds – The County has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for its water activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. The proprietary fund financial statements are on pages 40 - 43 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The County has five agency funds. The fiduciary fund financial statements are on page 44 of this report.

Notes to Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements are on pages 46 - 88 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its law enforcement employees. Required supplementary information can be found beginning on page 89 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$25,336,230 as of June 30, 2013. The County's net position increased by \$3,991,138 for the fiscal year ended June 30, 2013. Net position is reported in three categories: net investment in capital assets of \$30,809,854, restricted net position of \$17,586,592, and unrestricted net position (deficit) of (\$23,060,216).

Carteret County, North Carolina

**Management’s Discussion and Analysis (Unaudited)
June 30, 2013**

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

Another category of net position is restricted net position. This represents resources that are subject to external restriction on how they may be used. The final category of net position is unrestricted net position. This balance may be used to meet the government’s ongoing obligation to citizens and creditors. At June 30, 2013, the unrestricted net position of governmental activities reported a deficit of \$23,716,266. Of the County’s net position, \$17,586,592 represents resources that are subject to external restrictions on how they are to be used.

As with many counties in the State of North Carolina, the County’s deficit in unrestricted net position is due primarily to the portion of the County’s outstanding debt incurred for the County Board of Education (the “school system”) and Carteret Community College. Under North Carolina law, the County is responsible for providing capital funding for the school system and the community college. The County has chosen to meet its legal obligation to provide the school system capital funding by using a mixture of County funds, general obligation debt, and installment debt. The assets are funded by the County; however, the assets are owned and utilized by the school system and the community college, and are reported by those entities. As the County, as the debt issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets. At the end of the fiscal year, approximately \$57.78 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, as 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 County's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 61,541,012	\$ 64,551,820	\$ 830,287	\$ (292,202)	\$ 62,371,299	\$ 64,259,618
Capital assets	26,450,857	27,519,612	8,735,317	8,763,459	35,186,174	36,283,071
Total assets	87,991,869	92,071,432	9,565,604	8,471,257	97,557,473	100,542,689
Total deferred outflows of resources	2,170,697	-	-	-	2,170,697	-
Long-term liabilities						
outstanding	66,263,157	69,228,948	3,194,763	3,368,347	69,457,920	72,597,295
Other liabilities	4,727,217	4,736,807	155,794	538,028	4,883,011	5,274,835
Total liabilities	70,990,374	73,965,755	3,350,557	3,906,375	74,340,931	77,872,130
Total deferred inflows of resources	51,009	-	-	-	51,009	-
Net position:						
Net investment in capital assets	25,250,857	26,469,612	5,558,997	5,416,107	30,809,854	31,885,719
Restricted	17,586,592	24,685,705	-	-	17,586,592	24,685,705
Unrestricted	(23,716,266)	(33,049,640)	656,050	(851,225)	(23,060,216)	(33,900,865)
Total net position	\$ 19,121,183	\$ 18,105,677	\$ 6,215,047	\$ 4,564,882	\$ 25,336,230	\$ 22,670,559

Management's Discussion and Analysis (Unaudited)
June 30, 2013

Governmental activities: Governmental activities increased the County's net position by \$2,340,973 from fiscal year 2012. Key elements of this increase are as follows:

- Even though net position increased, governmental activities property taxes decreased approximately \$1.19 million from fiscal year 2012. This decrease is because the County adopted a General Fund ad valorem property tax rate of 29 cents per \$100 assessed value which was a one cent decrease from the fiscal year 2012 adopted General Fund tax rate.
- Increases in other taxes were approximately \$690,000 from the prior fiscal year. The sales tax increases made up most of the increase.
- Governmental activities charges for services increased approximately \$97,700 from the previous fiscal year. This was primarily due to increases in Register of Deeds fees and building inspections fees.
- Operating grants and contributions decreased \$248,748. This net decrease was due to Homeland Security grants that were not received in FY 13 that were received in FY 12 and increased Department of Social Services funding from FY 12.
- Public safety expenses increased \$768,784 from the prior fiscal year. The increases were primarily due funding increases in the Sheriff's Division, the Consolidated 911 Center, and Fire and Rescue Districts.
- Environmental protection expenses decreased \$882,130 from the prior fiscal year. The decrease was due to debris cleanup from Hurricane Irene in FY 12.

Business-type activities: Business-type activities increased net position by \$1,650,165. The primary factor for the increase was due to the completion of the water system improvement project and up-fronted grant-eligible expenses were reimbursed by the grant funds received at the project completion this fiscal year. The water improvements project was a three year project that was completed in late 2012.

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited)
June 30, 2013

The County's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 5,528,015	\$ 5,430,312	\$ 575,338	\$ 526,067	\$ 6,103,353	\$ 5,956,379
Operating grants and contributions	13,413,544	13,662,292	-	-	13,413,544	13,662,292
Capital grants and contributions	305,185	583,321	1,751,350	3,618	2,056,535	586,939
General revenues:						
Property taxes	50,250,954	51,442,461	-	-	50,250,954	51,442,461
Other taxes	18,333,841	17,644,139	-	-	18,333,841	17,644,139
Other	866,423	3,445,784	1,219	9,332	867,642	3,455,116
Total revenues	88,697,962	92,208,309	2,327,907	539,017	91,025,869	92,747,326
Expenses:						
General government	5,946,901	5,926,629	-	-	5,946,901	5,926,629
Public safety	18,335,600	17,566,816	-	-	18,335,600	17,566,816
Transportation	2,447,821	1,288,106	-	-	2,447,821	1,288,106
Economic and physical development	12,020,756	6,917,827	-	-	12,020,756	6,917,827
Environmental protection	3,150,593	4,032,723	-	-	3,150,593	4,032,723
Human services	15,277,891	15,880,099	-	-	15,277,891	15,880,099
Cultural and recreation	3,485,610	3,469,307	-	-	3,485,610	3,469,307
Education	25,364,930	25,368,980	-	-	25,364,930	25,368,980
Interest on long-term debt	2,095,322	2,794,930	-	-	2,095,322	2,794,930
Water	-	-	909,307	815,298	909,307	815,298
Total expenses	88,125,424	83,245,417	909,307	815,298	89,034,731	84,060,715
Increase (decrease) in net position before transfers	572,538	8,962,892	1,418,600	(276,281)	1,991,138	8,686,611
Transfers	(231,565)	(245,000)	231,565	245,000	-	-
Increase (decrease) in net position	340,973	8,717,892	1,650,165	(31,281)	1,991,138	8,686,611
Net position, beginning, previously reported	18,105,677	9,387,785	4,564,882	4,596,163	22,670,559	13,983,948
Restatement	(1,325,467)	-	-	-	(1,325,467)	-
Net position, July 1, restated	16,780,210	9,387,785	4,564,882	4,596,163	21,345,092	13,983,948
Net position, June 30	\$ 17,121,183	\$ 18,105,677	\$ 6,215,047	\$ 4,564,882	\$ 23,336,230	\$ 22,670,559

Financial Analysis of the County's Funds

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

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

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, fund balance available in the General Fund (unassigned) was \$30,527,492, while total fund balance reached \$44,568,021. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. The County currently has an available fund balance of 42.86 percent of general fund expenditures, while total fund balance represents 62.46 percent of that same amount. The County's available fund balance increased \$5,476,897 due to several factors. Revenues exceeded budget amounts of approximately \$1.37 million, with most of the amount derived from sales taxes. In addition to revenues exceeding the budget, many function level expenditures were less than the budget amount by approximately \$4.84 million. Human services, economic development, and general government functions had the greatest amounts of coming in under budget. Total fund balance decrease of \$2,263,335 is primarily due to transferring beach nourishment restricted fund balance for a beach nourishment project.

At June 30, 2013, the governmental funds of the County reported a combined fund balance of \$52,918,011, a 4.77 percent decrease from last year. The primary reason for this decrease is due to spending General Fund restricted beach nourishment fund balance for a beach nourishment project as stated above.

General Fund Budgetary Highlights

During fiscal year 2013, the County's financial picture was good. Revenues were more than budgeted by a net amount of \$1,370,816. Ad valorem taxes and sales taxes revenues were \$1,694,187 greater than budgeted; however, it is partially offset by intergovernmental, and investment revenue sources that were less than budgeted. Through conservative management and prioritizing our expenditures and capital outlay, the County finished the year in sound financial condition.

The County revised the budget on several occasions. Generally, budget amendments fall into one of four categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; 3) increases in appropriations that become necessary to maintain services; and 4) to increase debt service for refunding existing debt. Total amendments to the General Fund increased estimated revenues by \$861,163 and expenditure appropriations by \$3,770,469. The appropriations increase was mostly due to the increases in general government, public safety, transportation, and the County's human services departments.

The County's expenditures were less than the budgeted amount by \$4.84 million, and most of the savings are in the human services programs of \$1.55 million, economic and physical development programs of \$1.44 million, as well as general government, public safety, transportation and culture and recreation.

Carteret County, North Carolina

**Management's Discussion and Analysis (Unaudited)
June 30, 2013**

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 position of the Water Fund at the end of the fiscal year was \$656,050. The increase in unrestricted net position is due to the County being reimbursed up fronted funds for the capital improvements project when the project was completed. Other factors affecting the finances of this fund were various operating expenses, such as maintenance and small equipment were less than budgeted. As in previous years, the Water Fund is not self supporting and relies on the water taxing district revenues to transfer into the Water Fund. Fiscal year 2013 \$231,565 transferred from the water taxing district compared to \$245,000 in fiscal year 2012

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, 2013, totals \$35,186,174 (net of accumulated depreciation). These assets include land, buildings, automotive equipment, office and other equipment, and water plant and lines.

Major capital asset transactions during the year include:

- o Purchase of vehicles in departments including six Sheriff Department vehicles and seven CCATS transportation buses.
- o Improvements for the fiscal year included an addition to the Western Library as well as solid waste convenience site improvements.
- o Construction in progress is building improvements to the Taylor Extended Care facility. These improvements should be completed in the summer of 2013.
- o Water fund assets included the purchase of land and the completion of the \$3.21 million water system improvements.

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.

	Carteret County's Capital Assets (net of depreciation)					
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 5,582,361	\$ 5,582,361	\$ 222,608	\$ 70,298	\$ 5,804,969	\$ 5,652,659
Buildings	10,966,332	11,741,753	1,436,391	1,507,033	12,402,723	13,248,786
Water lines	-	-	7,028,956	4,115,345	7,028,956	4,115,345
Vehicles	996,055	731,566	1	1	996,056	731,567
Equipment	1,156,570	1,550,775	47,361	31,962	1,203,931	1,582,737
Airport facilities	5,021	20,461	-	-	5,021	20,461
Other improvements	5,164,106	5,517,733	-	-	5,164,106	5,517,733
Leasehold improvements	2,211,061	2,340,583	-	-	2,211,061	2,340,583
Construction in progress	369,351	34,380	-	3,038,820	369,351	3,073,200
Total	\$ 26,450,857	\$ 27,519,612	\$ 8,735,317	\$ 8,763,459	\$ 35,186,174	\$ 36,283,071

Carteret County, North Carolina

**Management's Discussion and Analysis (Unaudited)
June 30, 2013**

General Obligation, Capital Leases and Installment Notes Payable

Long-Term Debt. As of June 30, 2013, the County had total general obligation bonded debt outstanding of \$40,605,000, all of which is debt backed by the full faith and credit of the County. All other debt is covered by pledged collateral and is subject to appropriation. A summary of total long-term debt is shown in Figure 5.

General Obligation, Capital Leases and Installment Notes Payable

Figure 5

	Carteret County's Outstanding Debt					
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 40,605,000	\$ 45,100,000	\$ -	\$ -	\$ 40,605,000	\$ 45,100,000
Certificate of participation	4,040,000	4,660,000	-	-	4,040,000	4,660,000
Bond anticipation note	-	-	-	1,046,000	-	1,046,000
Revenue bond	-	-	1,046,000	-	1,046,000	-
Installment note payable	14,339,872	16,099,052	2,130,320	2,301,352	16,470,192	18,400,404
Total long-term debt	\$ 58,984,872	\$ 65,859,052	\$ 3,176,320	\$ 3,347,352	\$ 62,161,192	\$ 69,206,404

The County's total debt decreased \$7,045,212 (excluding deferred amounts) during the past fiscal year. The decrease is due to retiring debt principal. Also, the County issued \$12.7 million general obligation bonds to advance refund \$13.4 million callable 2006 general obligation bonds that resulted in \$746,235 of debt service savings over the next 9 years.

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

Moody's Investor Services	Aa1
Standard & Poor's	AA+
Fitch IBCA	AA+

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

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, 2013, for the County is \$1,145,578,184.

Additional information regarding the County's long-term debt can be found in Note 9 on pages 68 - 74 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, 2013, the unemployment rate for the County averaged 8.48%, compared to the 9.30% for fiscal year 2012. This compares favorably to the state's average unemployment rate of 9.28% for fiscal year 2013. The County is seeing modest residential and commercial development. In addition, the County is realizing increases in sales tax revenues. This modest growth in development combined with other revenue increases, has allowed the County to continue meeting its capital needs and demands for services without tax increases. Because of real property valuation and increases in sales tax revenues, the County adopted an ad valorem tax rate of \$.29 cents per \$100 assessed value in fiscal year 2013. This was a one cent decrease from the previous fiscal year.

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited) June 30, 2013

Budget Highlights for the Fiscal Year Ending June 30, 2014

Governmental Activities: The County has approved a \$78.21 million general fund budget for fiscal year 2014, which represents a \$23.63 million or 23.21% decrease from the amended fiscal year 2013 budget. The net decrease in the budget is primarily due to \$15.64 million decrease in debt service. In fiscal year 2013, debt service required \$15.32 million of budget amendments for the 2006 general obligation bonds advance refunding, and the other \$.32 million decrease was due to a decrease in interest expense. Also, the fiscal year 2013 budget was amended to appropriate \$6.2 million of restricted beach nourishment funds to match federal funds for a beach nourishment project that was approved due to Hurricane Irene damage two years earlier. The remaining \$1.79 million of decreases is a combination of \$1.42 million of State purchase right of way property in FY12 was that in turn, was remitted from the County to the Airport Authority in FY 13, and decreases in capital transportation grants for the CCATS department.

In the budget, the County's Board of Commissioners maintained the 29 cents ad valorem property tax rate per \$100 assessed valuation. As a result, of increases in budgeted property tax assessed values from FY 13 to FY14, the County budgeted about \$300,000 in additional property tax revenue. Due to growth in sales tax revenue, the County budgeted a 4.8% increase that generates approximately \$530,000 additional revenue. All revenues are budgeted conservatively, and sales of services and fees are budgeted with small growth from the previous fiscal year. The fiscal year 2014 General Fund budgets \$1 million fund balance appropriation.

Education is the largest service area in terms of its portion of total expenditures. Capital, operating, and contingency education expenditures total \$23,418,950 or 29.94% of the fiscal year 2014 budget. This area includes funding for the public school system and the Carteret County Community College.

Business Activities: The County completed its \$3.51 million construction project to enhance and improve the County's water treatment system. The improvements constructed an elevated water storage tanks, a booster pump station, and water plant upgrades. For FY14, the Water Fund adopted budget is \$899,435 for operations, debt service and equipment. FY14 annual debt service is approximately \$300,000.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Assistant County Manager of Finance and Administration, Carteret County, 302 Courthouse Square, Beaufort, NC 28516.



Basic Financial Statements

Government – Wide Financial Statements

Fund Financial Statements

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information



Carteret County, North Carolina

Statement of Net Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 6,733,072	\$ 740,534	\$ 7,473,606
Investments	39,485,672	-	39,485,672
Receivables (net)	11,118,724	46,302	11,165,026
Due from component unit	124,623	-	124,623
Inventories	-	-	-
Prepaid items	-	-	-
Restricted assets:			
Cash and cash equivalents	3,349,994	43,451	3,393,445
Investments	728,927	-	728,927
Other assets	-	-	-
Capital assets:			
Land, improvements, and construction in progress	5,951,712	222,608	6,174,320
Other capital assets, net of depreciation	20,499,145	8,512,709	29,011,854
Total capital assets	26,450,857	8,735,317	35,186,174
Total assets	87,991,869	9,565,604	97,557,473
Deferred Outflows of Resources	2,170,697	-	2,170,697
Liabilities			
Accounts payable and accrued expenses	4,113,725	57,210	4,170,935
Accrued interest payable	613,492	11,894	625,386
Customer deposits	-	86,690	86,690
Due to primary government	-	-	-
Long-term liabilities:			
Due within one year	6,965,902	173,933	7,139,835
Due in more than one year	59,297,255	3,020,830	62,318,085
Total long-term liabilities	66,263,157	3,194,763	69,457,920
Total liabilities	70,990,374	3,350,557	74,340,931
Deferred Inflows of Resources	51,009	-	51,009
Net Position			
Net investment in capital assets	25,250,857	5,558,997	30,809,854
Restricted for:			
Public Safety	4,460,142	-	4,460,142
Economic Development	6,200,975	-	6,200,975
Cultural and Recreation	102,739	-	102,739
Register of Deeds	383,149	-	383,149
Human Services	812,855	-	812,855
Education	12,114	-	12,114
Stabilization by State Statute	5,614,618	-	5,614,618
Other purposes	-	-	-
Unrestricted (deficit)	(23,716,266)	656,050	(23,060,216)
Total net position	\$ 19,121,183	\$ 6,215,047	\$ 25,336,230

See Notes to Financial Statements.

Component Units

	Carteret County Tourism Development Authority	Carteret County General Hospital Corporation	Carteret County ABC Board
\$ 876,534	\$ 679,208	\$ 79,654,196	\$ 1,210,288
-	-	-	-
566,028	563,931	21,938,314	-
-	-	-	-
-	-	2,871,179	953,428
2,209	-	2,168,115	25,652
-	-	4,336,422	-
-	-	-	-
-	-	1,799,150	-
6,692,167	-	3,744,875	1,149,703
3,568,861	149,237	40,564,637	2,480,786
10,261,028	149,237	44,309,512	3,630,489
11,705,799	1,392,376	157,076,888	5,819,857
-	-	-	-
615,818	162,905	16,055,543	809,200
-	-	-	-
-	-	-	-
-	-	-	124,623
-	4,265	423,121	171,522
-	12,793	1,081,740	1,436,471
-	17,058	1,504,861	1,607,993
615,818	179,963	17,560,404	2,541,816
-	-	5,706,951	-
10,261,028	149,237	42,804,651	2,022,496
-	-	-	43,024
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
49,260	563,931	-	-
-	499,245	773,117	342,461
779,693	-	90,231,765	870,060
\$ 11,089,981	\$ 1,212,413	\$ 133,809,533	\$ 3,278,041

Carteret County, North Carolina

Statement of Activities
Year Ended June 30, 2013

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 5,946,901	\$ 1,638,250	\$ 22,592	\$ -
Public safety	18,335,600	308,908	1,067,750	-
Transportation	2,447,821	184,316	525,199	305,185
Economic and physical development	12,020,756	611,160	1,103,253	-
Environmental protection	3,150,593	2,198,355	3,885	-
Human services	15,277,891	334,799	9,652,900	-
Cultural and recreation	3,485,610	252,227	1,280	-
Education	25,364,930	-	71,025	-
Interest on long-term debt	2,095,322	-	965,660	-
Total governmental activities	88,125,424	5,528,015	13,413,544	305,185
Business-type activities:				
Water	909,307	575,338	-	1,751,350
Total primary government	\$ 89,034,731	\$ 6,103,353	\$ 13,413,544	\$ 2,056,535
Component units:				
Airport Authority	\$ 273,245	\$ 129,615	\$ 64,030	\$ 4,872,891
Tourism Development Authority	2,663,113	2,637,711	150,000	-
Hospital	117,398,263	129,953,071	320,222	-
ABC Board	8,796,197	8,903,980	-	-
Total component units	\$ 129,130,818	\$ 141,624,377	\$ 534,252	\$ 4,872,891
General revenues:				
Taxes:				
Property taxes, levied for general purpose				
Local option sales tax				
Other taxes and licenses				
Unrestricted intergovernmental				
Investment earnings, unrestricted				
Miscellaneous, unrestricted				
Total general revenues excluding special items and transfers				
Special item				
Transfers				
Total general revenues, special item and transfers				
Change in net position				
Net position, beginning, previously reported				
Restatement - See Note 22				
Net position, beginning, restated				
Net position, ending				

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units			
Governmental Activities	Business-Type Activities	Total	Carteret County			
			Beaufort - Morehead City Airport Authority	Tourism Development Authority	Carteret County General Hospital Corporation	Carteret County ABC Board
\$ (4,286,059)	\$ -	\$ (4,286,059)				
(16,958,942)	-	(16,958,942)				
(1,433,121)	-	(1,433,121)				
(10,306,343)	-	(10,306,343)				
(948,353)	-	(948,353)				
(5,290,192)	-	(5,290,192)				
(3,232,103)	-	(3,232,103)				
(25,293,905)	-	(25,293,905)				
(1,129,662)	-	(1,129,662)				
(68,878,680)	-	(68,878,680)				
-	1,417,381	1,417,381				
(68,878,680)	1,417,381	(67,461,299)				
			\$ 4,793,291	\$ -	\$ -	\$ -
			-	124,598	-	-
			-	-	12,875,030	-
			-	-	-	107,783
			4,793,291	124,598	12,875,030	107,783
50,250,954	-	50,250,954	-	-	-	-
13,718,008	-	13,718,008	-	-	-	-
4,615,833	-	4,615,833	-	-	-	-
793,818	-	793,818	-	-	-	11,708
(69,957)	1,219	(68,738)	637	955	261,151	-
142,562	-	142,562	1,404,021	416	114,512	-
69,451,218	1,219	69,452,437	1,404,658	1,371	375,663	11,708
2,000,000	-	2,000,000	-	-	-	-
(231,565)	231,565	-	-	-	-	-
71,219,653	232,784	71,452,437	1,404,658	1,371	375,663	11,708
2,340,973	1,650,165	3,991,138	6,197,949	125,969	13,250,693	119,491
18,105,677	4,564,882	22,670,559	4,892,032	1,086,444	120,558,840	3,158,550
(1,325,467)	-	(1,325,467)	-	-	-	-
16,780,210	4,564,882	21,345,092	4,892,032	1,086,444	120,558,840	3,158,550
\$ 19,121,183	\$ 6,215,047	\$ 25,336,230	\$ 11,089,981	\$ 1,212,413	\$ 133,809,533	\$ 3,278,041

Carteret County, North Carolina

**Balance Sheet - Governmental Funds
June 30, 2013**

	Governmental Fund Types			
	Major Fund		Total	Total
	General	Occupancy Tax Fund	Non-Major Funds	Governmental Funds
Assets				
Cash and investments	\$ 40,689,582	\$ -	\$ 5,529,163	\$ 46,218,745
Receivables, net	8,286,383	938,635	1,087,242	10,312,260
Restricted cash and investments	920,039	-	3,158,881	4,078,920
Due from other funds	291,812	-	-	291,812
Due from component units	124,623	-	-	124,623
Total assets	\$ 50,312,439	\$ 938,635	\$ 9,775,286	\$ 61,026,360
Liabilities, Deferred Inflows and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,605,209	\$ 563,931	\$ 944,585	\$ 4,113,725
Due to other funds	-	291,812	-	291,812
Total liabilities	2,605,209	855,743	944,585	4,405,537
Deferred Inflows of Resources	3,139,209	-	563,603	3,702,812
Fund balances:				
Restricted:				
Register of Deeds	383,149	-	-	383,149
Recreation Districts	102,739	-	-	102,739
Beach Nourishment	5,723,261	-	-	5,723,261
Stabilization by State Statute	5,614,618	-	-	5,614,618
Sheriff's fund	403,907	-	-	403,907
Health programs	812,855	-	-	812,855
Public safety	-	-	766,750	766,750
Rescue protection	-	-	1,150,716	1,150,716
Fire protection	-	-	1,601,729	1,601,729
School capital	-	-	12,114	12,114
Economic development	-	938,635	103,010	1,041,645
Committed:				
Economic development	-	-	729,674	729,674
Taylor Extended Care	-	-	500,000	500,000
School capital	-	-	1,540,719	1,540,719
Assigned:				
Subsequent year's expenditures	1,000,000	-	779,040	1,779,040
County capital	-	-	1,083,346	1,083,346
Unassigned:	30,527,492	(855,743)	-	29,671,749
Total fund balances	44,568,021	82,892	8,267,098	52,918,011
Total liabilities, deferred inflows of resources and fund balances	\$ 50,312,439	\$ 938,635	\$ 9,775,286	\$ 61,026,360

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

Total fund balances for governmental funds	\$ 52,918,011
Capital assets used in governmental activities are not current financial resources and, therefore are not reported in the funds	26,450,857
Deferred inflows of resource for taxes and special assessments receivable	3,651,803
Accrued interest receivable deferred in the fund statements	806,464
Accrued interest payable on long-term debt is not a current financial obligation and, therefore, is not in the funds	(613,492)
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore are not reported in the funds	(66,263,157)
Charges related to advance refunding bond issue	2,170,697
Net position of governmental activities	\$ 19,121,183

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
Year Ended June 30, 2013

	Governmental Fund Types			
	Major Funds		Total	Total
	General	Occupancy Tax Fund	Non-Major Funds	Governmental Funds
Revenues				
Ad valorem taxes	\$ 44,356,072	\$ -	\$ 5,754,194	\$ 50,110,266
Other taxes and licenses	12,306,115	4,451,292	1,576,434	18,333,841
Permits and fees	2,781,510	-	-	2,781,510
Intergovernmental	12,924,250	-	1,588,297	14,512,547
Sales and services	2,746,505	-	-	2,746,505
Interest	(77,852)	-	7,895	(69,957)
Miscellaneous	118,669	-	-	118,669
Total revenues	75,155,269	4,451,292	8,926,820	88,533,381
Expenditures				
Current:				
General government	5,697,525	-	-	5,697,525
Public safety	10,109,738	-	7,438,398	17,548,136
Transportation	2,658,305	-	-	2,658,305
Environmental protection	3,104,387	-	-	3,104,387
Economic and physical development	2,076,173	2,637,711	1,068,853	5,782,737
Human services	14,814,576	-	-	14,814,576
Culture and recreation	2,889,936	-	-	2,889,936
Education	21,265,441	-	-	21,265,441
Capital outlay	-	-	10,484,171	10,484,171
Debt service:				
Principal retirement	6,174,180	-	-	6,174,180
Interest and fees	2,558,945	-	-	2,558,945
Bond issuance costs	238,068	-	-	238,068
Total expenditures	71,587,274	2,637,711	18,991,422	93,216,407
Excess (deficiency) of revenues over (under) expenditures	3,567,995	1,813,581	(10,064,602)	(4,683,026)
Other financing sources (uses)				
Debt issuance	12,700,000	-	-	12,700,000
Premium on debt issued	2,624,435	-	-	2,624,435
Payment to refunded bond escrow agent	(15,077,852)	-	-	(15,077,852)
Sale of capital assets	20,080	-	-	20,080
Special item - proceeds of asset sale	2,000,000	-	-	2,000,000
Transfer in	1,960,766	-	9,960,974	11,921,740
Transfers out	(10,058,759)	(1,812,981)	(281,565)	(12,153,305)
Total other financing sources (uses)	(5,831,330)	(1,812,981)	9,679,409	2,035,098
Net change in fund balance	(2,263,335)	600	(385,193)	(2,647,928)
Fund balances				
Beginning	46,831,356	82,292	8,652,291	55,565,939
Ending	\$ 44,568,021	\$ 82,892	\$ 8,267,098	\$ 52,918,011

See Notes to Financial Statements.

Carteret County, North Carolina

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance to the Statement of Activities - Governmental Funds
Year Ended June 30, 2013**

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

Net changes in fund balances - total governmental funds	\$ (2,647,928)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(1,059,612)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, retirements, and donations) is an increase to net assets.	(9,143)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	140,688
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 bond premiums and other similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items	5,916,968
Total changes in net position of governmental activities	<u>\$ 2,340,973</u>

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund
Year Ended June 30, 2013

	General Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Revenues				
Ad valorem taxes	\$ 43,818,000	\$ 43,818,000	\$ 44,356,072	\$ 538,072
Other taxes and licenses	11,150,000	11,150,000	12,306,115	1,156,115
Permits and fees	2,631,920	2,681,920	2,781,510	99,590
Intergovernmental	12,108,786	12,804,339	12,924,250	119,911
Sales and services	2,731,200	2,866,000	2,746,505	(119,495)
Interest	400,000	400,000	(77,852)	(477,852)
Miscellaneous	83,384	64,194	118,669	54,475
Total revenues	72,923,290	73,784,453	75,155,269	1,370,816
Expenditures				
Current:				
General government	5,952,360	6,442,453	5,697,525	744,928
Public safety	9,742,525	10,473,855	10,109,738	364,117
Transportation	1,110,890	2,974,243	2,658,305	315,938
Environmental protection	3,235,770	3,251,286	3,104,387	146,899
Economic and physical development	3,493,115	3,513,031	2,076,173	1,436,858
Human services	15,856,295	16,365,715	14,814,576	1,551,139
Culture and recreation	2,889,250	2,931,384	2,889,936	41,448
Education	21,268,000	21,358,192	21,265,441	92,751
Debt service:				
Principal retirement	6,288,000	6,288,000	6,174,180	113,820
Interest and fees	2,580,500	2,589,015	2,558,945	30,070
Bond issuance costs	-	238,068	238,068	-
Total expenditures	72,416,705	76,425,242	71,587,274	4,837,968
Revenues over (under) expenditures	506,585	(2,640,789)	3,567,995	6,208,784
Other financing sources (uses)				
Debt issuance	-	12,700,000	12,700,000	-
Premium on debt issued	-	2,624,435	2,624,435	-
Payment to refunded bond escrow agent	-	(15,077,852)	(15,077,852)	-
Sale of capital assets	-	510,000	20,080	(489,920)
Special item - proceeds sale of asset	-	-	2,000,000	2,000,000
Transfers in	1,889,000	1,889,000	1,960,766	71,766
Transfers out	(1,753,000)	(10,192,263)	(10,058,759)	133,504
Contingency reserves	(2,324,000)	(146,796)	-	146,796
Appropriated fund balance	1,681,415	10,334,265	-	(10,334,265)
Total other financing sources (uses)	(506,585)	2,640,789	(5,831,330)	(8,472,119)
Net change in fund balance	\$ -	\$ -	(2,263,335)	\$ (2,263,335)
Fund balances				
Beginning			46,831,356	
Ending			<u>\$ 44,568,021</u>	

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Occupancy Tax Fund
Year Ended June 30, 2013

	Occupancy Tax Fund			Variance With Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Other taxes and licenses:				
Occupancy taxes	\$ 4,500,000	\$ 4,500,000	\$ 4,449,954	\$ (50,046)
Occupancy taxes, penalties and interest	2,000	2,000	1,338	(662)
Interest	13,000	13,000	-	(13,000)
Total revenues	4,515,000	4,515,000	4,451,292	(63,708)
Expenditures				
Economic and physical development:				
Tourism:				
Tourism Development Authority	2,676,000	2,676,000	2,637,711	38,289
Total expenditures	2,676,000	2,676,000	2,637,711	38,289
Revenues over expenditures	1,839,000	1,839,000	1,813,581	(25,419)
Other financing uses				
Transfers out	(1,839,000)	(1,839,000)	(1,812,981)	26,019
Total other financing uses	(1,839,000)	(1,839,000)	(1,812,981)	26,019
Revenues over expenditures and other uses	\$ -	\$ -	600	\$ 600
Fund balances				
Beginning			82,292	
Ending			<u>\$ 82,892</u>	

See Notes to Financial Statements.



Carteret County, North Carolina

Statement of Fund Net Position - Proprietary Fund
June 30, 2013

	Water Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 740,534
Receivables, net	46,302
Restricted cash and cash equivalents	43,451
Total current assets	<u>830,287</u>
Noncurrent assets	
Capital assets:	
Land, improvements, and construction in progress	222,608
Other capital assets, net of depreciation	8,512,709
Total capital assets	<u>8,735,317</u>
Total noncurrent assets	<u>8,735,317</u>
Total assets	<u>9,565,604</u>
Liabilities	
Current liabilities	
Accounts payable and accrued expenses	57,210
Customer deposits	86,690
Accrued interest payable	11,894
Current portion of long-term liabilities	173,933
Total current liabilities	<u>329,727</u>
Noncurrent liabilities	
Installment loan payable and long-term liabilities	3,020,830
Total noncurrent liabilities	<u>3,020,830</u>
Total liabilities	<u>3,350,557</u>
Net Position	
Net investment in capital assets	5,558,997
Unrestricted	656,050
Total net position	<u>\$ 6,215,047</u>

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund
Year Ended June 30, 2013

	<u>Water Fund</u>
Operating revenues	
Charges for services	\$ 575,338
Total operating revenues	<u>575,338</u>
Operating expenses	
Water plant operations	457,962
Depreciation	<u>372,199</u>
Total operating expenses	<u>830,161</u>
Operating loss	<u>(254,823)</u>
Nonoperating revenues (expenses)	
Interest revenue	1,219
Interest expense	<u>(79,146)</u>
Total nonoperating revenues (expenses)	<u>(77,927)</u>
Loss before contributions and transfers	(332,750)
Capital contributions	1,751,350
Transfers in	329,350
Transfers out	<u>(97,785)</u>
Change in net position	1,650,165
Total net position	
Beginning	<u>4,564,882</u>
Ending	<u>\$ 6,215,047</u>

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2013

	<u>Water Fund</u>
Cash flows from operating activities	
Cash received from customers	\$ 577,365
Cash paid for goods and services	(230,748)
Cash paid to employees for services	(216,143)
Customer deposits received	7,170
Net cash provided by operating activities	<u>137,644</u>
Cash flows from noncapital financing	
Transfers in	329,350
Transfers out	(97,785)
Net cash provided by noncapital financing	<u>231,565</u>
Cash flows from capital and related financing activities	
Principal paid on installment debt	(171,032)
Interest paid on installment debt	(77,583)
Short-term loans from other funds	(2,151,522)
Acquisition and construction of capital assets	(746,160)
Capital contributions grants	1,751,350
Revenue Bond issued	1,046,000
Repayment of bond anticipation note	(1,046,000)
Net cash used by capital and related financing activities	<u>(1,394,947)</u>
Cash flows provided by investing activities	
Interest on investments	1,219
Net decrease in cash and cash equivalents	<u>(1,024,519)</u>
Cash and cash equivalents:	
Beginning	1,808,504
Ending (including restricted of \$43,450)	<u>\$ 783,985</u>

(Continued)

Carteret County, North Carolina

Statement of Cash Flows - Proprietary Fund (Continued)
Year Ended June 30, 2013

	Water Fund
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (254,823)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	372,199
Changes in assets and liabilities:	
Decrease in accounts receivable	4,514
Increase in accounts payable and accrued liabilities	11,136
Increase in customer deposits	7,170
Decrease in accrued vacation pay	(2,552)
Net cash provided by operating activities	<u>\$ 137,644</u>

See Notes to Financial Statements.

Carteret County, North Carolina

**Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2013**

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 112,277</u>
Liabilities	
Accounts payable and accrued liabilities	<u>\$ 112,277</u>

See Notes to Financial Statements.

Notes to Financial Statements

These notes are intended to communicate information necessary for a fair presentation of financial position and changes in financial position that are not readily apparent from or cannot be included in the financial statements themselves. The notes supplement the financial statements, are an integral part thereof, and are intended to be read in conjunction with the financial statements.

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

Nature of operations

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

Reporting entity

As required by accounting principles generally accepted in the United States of America, 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.

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

Carteret County Tourism Development Authority: The Carteret County Tourism Development Authority (“TDA”) is an entity created by resolution of the Carteret County Board of Commissioners for the purpose of management of the promotion and development of tourism in Carteret County. The County does not have authority to designate management of the TDA nor remove board members of the TDA. However, the TDA 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 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, 180 Airport Road, Beaufort, NC 28516
- Carteret County Tourism Development Authority, 3409 Arendell Street, Morehead City, NC 28557
- Carteret County General Hospital Corporation, 3500 Arendell Street, Morehead City, NC 28557
- Carteret County ABC Board, 410 Live Oak Street, Beaufort, NC 28516

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

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 of its own; therefore, it is not presented in the financial statements. The Authority does not issue separate financial statements.

The following corporation is included as a blended component unit:

County of Carteret Public Facilities Financing Corporation: The County of Carteret Public Facilities Financing Corporation ("Corporation") is a nonprofit corporation. The Corporation was organized and shall be operated exclusively for the purpose of providing debt financing for the County, to fulfill various statutory obligations involving but not limited to, purchase and sale, construction and/or lease of real estate and improvements, facilities, and equipment. The Corporation has a three-member board of directors who are established through the bylaws of the Articles of Incorporation and will consist of the County Manager, Deputy Clerk to the Board, and Chair of the County Commissioners. The County has entered into Construction and Repayment Contracts with the Corporation. The Corporation's assets, fund balance, revenue and expenditures have been included in the County Capital Improvements Fund as of and for the year ended June 30, 2013.

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 position and the statement of activities display information about the primary government net position (the "County") and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Notes to Financial Statements

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

Fund financial statements: The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category – governmental, proprietary, and fiduciary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as 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. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating items, such as investment earnings, are ancillary activities.

The County reports the following major governmental funds:

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

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

The County reports the following major enterprise fund:

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

The County reports the following fiduciary fund types:

Agency Funds: Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: The Social Services Trust Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of various clients; the Sheriff's Department Fund, which accounts for the collection and distribution of assets in conjunction with the clerk of court for judgments and claims that have been assessed; the Motor Vehicle Agency Fund, which accounts for the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles; the Deed of Trust Agency Fund, which accounts for the five dollars of each fee collected by the register of deeds for registering or filing a deed of trust or mortgage and remitted to the State Treasurer on a monthly basis; and the Cooperative Extension Agency Fund accounts for program revenue and expenses for the 4 H, Family and Consumer Science and Horticultural Programs.

Nonmajor Funds: The County maintains twelve nonmajor funds. The Emergency Telephone System Fund, Rescue Squad Fund, Fire District Fund, Water Tax District Fund, Salter Path District Beach Nourishment Fund, CDBG 2006 SSH Fund and the CDBG 2009 CR Fund are reported as nonmajor special revenue funds. The County Capital Reserve Fund, County Capital Improvements Fund, School Special Projects Fund, 2006 School Bond Project Fund and the Morehead Elementary School Fund are reported as capital projects funds.

Notes to Financial Statements

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

Measurement focus and basis of accounting

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

Government-wide, proprietary, and fiduciary fund financial statements: The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The agency funds have no measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise fund are charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental fund financial statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Carteret County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, 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 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes, which were billed during this period, are shown as a receivable on these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the County are recognized as revenue. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied, subject to availability.

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

Budgets and budgetary accounting: The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted on the modified accrual basis for the general fund, the special revenue funds (excluding 2006 CDBG SSH Program, 2009 CDBG CR Program), the capital projects funds (excluding the Morehead Elementary School Fund, 2006 School Project Fund, and the Water Project subfund) and the Water Operating subfund. 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.

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

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

Under State statute, actual expenditures cannot exceed budgetary appropriations at the level at which the budget ordinance is formally approved. The County's budget ordinance authorizes expenditures by department total for the general fund and the special revenue funds, and at the fund level for the capital projects funds. All budgets are fixed in nature. The County Manager is authorized to approve transfers between departments not to exceed \$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.

Assets, Liabilities, Deferred Inflows and Outflows, and Net Position/Fund Balance

Deposits and investments: All deposits of the County, the Hospital, ABC Board, the TDA, and the Airport are made in board-designated official depositories and are secured as required by G.S. 159-31. The County, the Hospital, the ABC Board, the TDA, and the Airport may designate as an official depository any bank or savings association whose principal office is located in North Carolina. Also, the County, the Hospital, the ABC Board, the TDA, and the Airport may establish time deposit accounts, such as NOW and Super NOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the County and its component units to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust ("NCCMT").

The County's money market investments with a maturity of more than one year at acquisition and non-money-market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC registered (2a-7) mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less and nonparticipating interest earnings and investment contracts are reported at amortized cost.

Cash and cash equivalents: The County pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments of the Water Enterprise Fund in the pool are essentially demand deposits and are considered cash and cash equivalents for purposes of reporting cash flows. Investment earnings are allocated to all funds based on the cash balance outstanding at the end of each quarter. The County's component units consider demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

Restricted cash and investments: Certain proceeds of debt issuances are classified as restricted cash and cash equivalents and investments because their use is limited by applicable debt instruments. Additional restricted cash includes rescue and fire districts' cash balances that are completely restricted for rescue and fire district use in the future, compensating cash balance, which offsets fees associated with the County's tax collection lockbox account, as well as other miscellaneous restricted accounts.

Notes to Financial Statements

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

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

The property tax calendar for Carteret County, North Carolina according to North Carolina general statutes 105-347 and 159-13(a) is as follows:

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

The taxes for the current fiscal year are generally based on January 1, 2012 assessed values.

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

Inventories and prepaid items: The inventories of the Hospital and the ABC Board are valued at the lower of cost, on a first-in, first-out (“FIFO”) basis, or market. The Hospital inventory consists of expendable items, including pharmaceuticals and general supplies, held for sale to patients or consumption. The Hospital inventories are recorded as expenses when consumed rather than when purchased. The ABC Board inventory consists of alcoholic beverages held for sale.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The County and Airport utilize the consumption method for prepaid items.

Capital assets: Capital assets of the County are not capitalized in the governmental fund used to acquire or construct them. Instead, capital acquisitions and construction are reflected as expenditures in governmental funds, and capitalized and reported in the government-wide financial statements as capital assets of governmental activities. Capital assets are capitalized in proprietary fund financial statements and in business-type activities of the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The County has no significant amount, other than the water system, of public domain or infrastructure fixed assets. Minimum capitalization costs are as follows: buildings, improvements, and infrastructure, \$50,000; furniture and equipment, \$5,000; and vehicles, \$10,000. The cost of normal maintenance and repairs that do not add to the value of the capital asset or materially extend assets’ lives are not capitalized.

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

Notes to Financial Statements

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

Capital assets of the Hospital, the ABC Board, the Airport, and the TDA are recorded at original cost at the time of acquisition. Capital assets donated to these entities for operations are recorded at the estimated fair market value at the date of donation. Any interest incurred during the construction phase of the capital assets of the Hospital or the ABC Board is reflected in the capitalized value of the asset constructed. The County owns legal title to all Hospital facilities and improvements under a lease agreement, which allows the Hospital unrestricted use of those facilities. The County's policy is to report these assets in the Hospital component unit.

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

Asset Class	Estimated Useful Lives
Buildings and improvements	5 - 40 years
Furniture and equipment	3 - 20 years
Improvements other than building	5 - 20 years

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

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

The Airport's capital assets are depreciated using the straight-line method over the following estimated useful lives: buildings and improvements and infrastructure, 30 years; furniture and equipment, 10 years; vehicles, 7 years; and computer equipment and software, 5 years.

Deferred outflows/inflows of resources: In addition to assets, the statements of net position and balance sheet will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has one item that meets this criterion- a charge on refunding that had previously been classified as an asset. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has only one item that meets the criterion for this category – prepaid taxes.

Compensated absences: The vacation policies of the County, the Hospital, the TDA, and the ABC Board provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds, the TDA, the Hospital, and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned and are accounted for on a last-in, first-out ("LIFO") basis, assuming that employees are taking time as it is earned.

Notes to Financial Statements

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

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

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

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

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

Bond premiums: In the government-wide and proprietary fund financial statements, bond premiums are amortized over the life of the bonds using the proportionate-to-stated-interest method. Long-term debt is reported inclusive of the applicable bond premium. In the fund financial statements, governmental fund types recognize bond premiums during the current period. Premiums received on debt issuances are reported as other financing sources.

Net position/fund balances:

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

Fund balances: In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

Restricted Fund Balance – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors or imposed by law. The following are the County's restricted fund balances as of June 30, 2013:

- Restricted for Register of Deeds — portion of fund balance that is restricted by revenue source to pay for the computer equipment and imaging technology for the Register of Deeds office.
- Restricted for Recreation Districts — represents amounts restricted for specific recreation purposes.
- Restricted for Beach Nourishment — represents amount reserved for beach nourishment. Restricted for Beach Nourishment includes the amount of accounts receivable at June 30, 2013. This is done due to the great reliance of this restricted amount by the Board of Commissioners and the Beach Commission.

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

- Restricted for Stabilization by State Statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)]. Restricted for Stabilization by State Statute does not include the accounts receivable amount for beach nourishment. Instead, that receivable amount is included in the restricted for beach nourishment. The purpose for that is due to the reliance of the Board of Commissioners and the Beach Commission on the Restricted for Beach Nourishment balance.
- Restricted for Sheriff's fund – represents amounts restricted for expenditures relating to special drug programs and concealed weapons programs.
- Restricted for Health programs – represents amounts restricted to expenditures in specific health programs.
- Restricted for Public Safety – represents amounts restricted to expenditures relating to the Emergency Telephone System Fund.
- Restricted for Rescue Protection – portion of fund balance that is restricted by revenue source for rescue protection expenditures.
- Restricted for Fire Protection – portion of fund balance that is restricted by revenue source for fire protection expenditures.
- Restricted for School Capital – portion of fund balance that can only be used for school capital improvements per G.S. 159-18-22.
- Restricted for Economic Development – portion of fund balance that can only be used for economic development purposes derived from Industrial Park lot sales.

Committed Fund Balance – portion of fund balance that can only be used for specific purpose imposed by majority vote of Carteret County's Board of Commissioners (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the Board of Commissioners. The following are the County's committed fund balances as of June 30, 2013:

- Committed for Economic Development – portion of fund balance that can only be used for economic development.
- Committed for School Capital – portion of fund balance that can only be used for school capital projects.
- Committed for Taylor Extended Care – portion of fund balance that can only be used for maintenance of Taylor Extended Care.

Assigned Fund Balance - portion of fund balance that the Carteret County governing board has budgeted. The following are the County's assigned fund balances as of June 30, 2013:

- Subsequent year's expenditures — portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.
- County capital – portion of fund balance that has been budgeted by the board for future County capital improvements.

Unassigned Fund Balance - portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

Carteret County, North Carolina

Notes to Financial Statements

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

Carteret County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-County funds, and County funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it's in the best interest of the County.

Carteret County has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that requires the County to maintain a 15% unassigned fund balance in the General Fund.

Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of (\$33,796,828) 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	\$ 58,980,022
Less accumulated depreciation	32,529,165
Net capital assets	26,450,857
Deferred charges related to advance refunding bond issued - included on government-wide statement of net position but are not a current financial resources	2,170,697
Accrued interest receivable	806,464
Liabilities for deferred inflows of resources reported in the fund statements but not in the government-wide statements	3,651,803
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Bonds, COPS and installment financing	(58,984,872)
Premiums on refundings	(3,464,917)
Accrued interest payable	(613,491)
Compensated absences	(1,202,554)
Accrued postemployment and retirement obligations	(2,610,815)
Long-term liabilities	(66,876,649)
Total adjustment	\$ (33,796,828)

Notes to Financial Statements

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$4,988,901 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 1,227,844
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(2,287,456)
Cost of disposed capital assets not recorded in the fund statements	(9,143)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statements of activities - it only affects the government-wide statement of net position	(12,700,000)
Premium received on bonds issued	(2,624,435)
Payments to escrow agent on refunded debt	15,315,920
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements.	6,174,180
Bond premiums and other similar items, are amortized in the government-wide statements but not in the fund statements because they do not use current resources.	115,747
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Compensated absences	(30,176)
Other postemployment benefits	(448,517)
Decrease in interest payable on long-term debt at June 30, 2013	114,249
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Increase in deferred inflows of resources - taxes receivable - as of June 30, 2013	(3,535,722) 3,651,803
Increase in accrued interest on taxes receivable for year ended June 30, 2013	24,607
Total adjustment	\$ 4,988,901

Carteret County, North Carolina

Notes to Financial Statements

Note 2. Stewardship, Compliance, and Accountability

There were no material instances of noncompliance.

Note 3. Cash and Investments

Cash on hand:

The County had \$2,225 in petty cash on hand at June 30, 2013.

Component unit information:

Carteret County General Hospital had \$32,959 in cash on hand at September 30, 2012.

Deposits:

All deposits of the County and its component units are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage are collateralized with securities held by the units' agents in the units' name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the units, these deposits are considered to be held by their agents in the entities' name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the units or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the units under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability and minimum capitalization for each depository that collateralizes public deposits under the Pooling Method. The County and its component units do not have formal policies regarding custodial credit risk for deposits and rely on the State Treasurer to monitor those financial institutions. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2013, the County's deposits, excluding petty cash and agency fund deposits had a carrying amount of \$10,864,826 and a bank balance of \$12,361,316. Of the bank balance, \$4,850,930 was covered by federal depository insurance and \$7,510,386 was covered by collateral held under the Pooling Method. Restricted cash deposits, excluding agency funds, in the amount of \$3,393,445 is as follows: held in noninterest-bearing deposits for banking services in the amount of \$79,153, \$167,525 for capital projects, and the remaining \$3,146,767 is restricted for fire and rescue special taxing districts.

At June 30, 2013, the County's agency fund deposits had a carrying amount of \$112,277 and a bank balance of \$116,404. All of the bank balance was covered by federal depository insurance.

Carteret County, North Carolina

Notes to Financial Statements

Note 3. Cash and Investments (Continued)

Component unit information:

At June 30, 2013, the carrying amount of deposits for Tourism and Development Authority with financial institutions was \$619,876 and the bank balance was \$632,857. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

At June 30, 2013, the carrying amount of deposits and petty cash for Beaufort-Morehead City Airport Authority was \$876,534 and the bank balance was \$877,454. Of the bank balance, \$255,701 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

At September 30, 2012, the carrying amount of the Hospital's deposits and cash on hand was \$83,990,618 and the bank balance was \$83,987,119. Of the bank balance, \$1,500,000 was covered by federal depository insurance and the remainder is collateralized by the pooling method.

At June 30, 2013, the carrying amount of deposits for Carteret County ABC Board was \$1,203,188 and the bank balance was \$1,025,093. Of the bank balance, \$525,093 covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

Investments:

At June 30, 2013, the County had the following investments and maturities.

Investment Type	Fair Value	1 Year	1-5 Years	6-10 Years
Commercial Paper	\$ 999,663	\$ 999,663	\$ -	\$ -
US Government Agencies	12,585,976	728,927	8,904,619	2,952,430
NC Capital Management Trust Cash Portfolio	26,232,453	26,232,453	N/A	N/A
NC Capital Management Trust Term Portfolio	396,507	396,507	-	-
Total	\$ 40,214,599	\$ 28,357,550	\$ 8,904,619	\$ 2,952,430

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

Credit risk. The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the County had no formal policy on managing credit risk. As of June 30, 2013, the County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AA+ by Standard & Poor's. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. The County's investments in US Government Agencies (Federal Home Loan Bank, Federal National Mortgage Association and Federal Farm Credit Bank) are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service.

Note 3. Cash and Investments (Continued)

Custodial credit risk. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no formal policy on custodial credit risk.

Concentration of credit risk. The County places no limit on the amount that the County may invest in any one issuer. More than 5 percent of the County's investments are in each of the following: Federal National Mortgage Association \$5,751,841 (14.30%), Federal Farm Credit \$2,951,525 (7.34%) and Federal Home Loan Bank \$2,896,254 (7.20%). It is the County's intention to hold these investments until maturity. The County has no formal policy on concentration of credit risk.

At June 30, 2013, the County had restricted investments in the governmental activities of \$728,927. In the Capital Projects Funds there are restricted investments of \$728,927 for Qualified Zone Academy Bond debt service.

Component unit information

At June 30, 2013, the TDA had \$59,332 invested in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAm by Standard and Poor's. The Authority has no policy regarding credit risk. This amount is included in cash and cash equivalents on the statement of net assets.

Carteret County, North Carolina

Notes to Financial Statements

Note 4. Receivables

Receivables at the government-wide level are comprised of the following major categories as of June 30, 2013:

	Governmental Activities	Business-Type Activity, Water	Total
Receivables:			
Interest	\$ 806,464	\$ -	\$ 806,464
Taxes	3,623,903	-	3,623,903
Accounts	525,688	46,302	571,990
Intergovernmental	5,590,467	-	5,590,467
Other	938,635	-	938,635
Gross receivables	11,485,157	46,302	11,531,459
Less allowance for uncollectibles	(366,433)	-	(366,433)
Net total receivables	\$ 11,118,724	\$ 46,302	\$ 11,165,026

Property tax - use-value assessment on certain lands: In accordance with North Carolina general statutes, agriculture, horticulture, and forestland may be taxed at present use-value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years along with accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

Year Levied	Tax	Interest	Total
2010	\$ 209,061	\$ 49,652	\$ 258,713
2011	225,785	33,303	259,088
2012	218,248	12,549	230,797
2013	227,000	-	227,000
Total	\$ 880,094	\$ 95,504	\$ 975,598

Component unit information

The Carteret County General Hospital Corporation receivables of \$21,938,314 are net of an allowance for doubtful accounts of \$14,355,525. Approximately 60% of the Hospital's revenue is from the Medicare and Medicaid programs.

Carteret County, North Carolina

Notes to Financial Statements

Note 5. Capital Assets

The following is a summary of changes in the County's capital assets during the fiscal year ended June 30, 2013:

	Capital Assets July 1, 2012	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2013
Governmental activities:					
Capital assets, not being depreciated:					
Land, airport	\$ 169,549	\$ -	\$ -	\$ -	\$ 169,549
Land, other	5,412,812	-	-	-	5,412,812
Construction in progress	34,380	369,351	(34,380)	-	369,351
Total capital assets not being depreciated	5,616,741	369,351	(34,380)	-	5,951,712
Capital assets, being depreciated:					
Buildings	27,485,901	-	-	-	27,485,901
Vehicles	4,825,922	653,518	(420,490)	-	5,058,950
Equipment	6,614,883	92,611	(14,086)	-	6,693,408
Airport facilities	1,524,747	-	-	-	1,524,747
Other improvements	9,528,132	146,744	-	-	9,674,876
Leasehold improvements	2,590,428	-	-	-	2,590,428
Total capital assets being depreciated	52,570,013	892,873	(434,576)	-	53,028,310
Less accumulated depreciation for:					
Buildings	15,744,148	775,421	-	-	16,519,569
Vehicles	4,094,356	379,886	(411,347)	-	4,062,895
Equipment	5,064,108	486,816	(14,086)	-	5,536,838
Airport facilities	1,504,286	15,440	-	-	1,519,726
Other improvements	4,010,399	500,371	-	-	4,510,770
Leasehold improvements	249,845	129,522	-	-	379,367
Total accumulated depreciation	30,667,142	\$ 2,287,456	\$ (425,433)	\$ -	32,529,165
Total capital assets, being depreciated, net	21,902,871				20,499,145
Governmental activity capital assets, net	\$ 27,519,612				\$ 26,450,857

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

Governmental activities:	
General government	\$ 273,662
Public Safety	871,823
Transportation	136,742
Economic & Physical Development	30,346
Human Services	343,346
Culture & Recreation	581,618
Environmental Protection	49,919
Total depreciation expense - governmental activities	\$ 2,287,456

Carteret County, North Carolina

Notes to Financial Statements

Note 5. Capital Assets (Continued)

	Capital Assets July 1, 2012	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2013
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 70,298	\$ 152,310	\$ -	\$ -	\$ 222,608
Construction in progress	3,038,820	-	(3,038,820)	-	-
Total capital assets, not being depreciated	3,109,118	152,310	(3,038,820)	-	222,608
Capital assets, being depreciated:					
Buildings	2,119,264	-	-	-	2,119,264
Infrastructure	6,409,573	3,208,991	-	-	9,618,564
Vehicles	27,792	-	-	-	27,792
Equipment	109,041	21,576	-	-	130,617
Total capital assets, being depreciated	8,665,670	3,230,567	-	-	11,896,237
Less accumulated depreciation for:					
Buildings	612,231	70,642	-	-	682,873
Infrastructure	2,294,228	295,380	-	-	2,589,608
Vehicles	27,791	-	-	-	27,791
Equipment	77,079	6,177	-	-	83,256
Total accumulated depreciation	3,011,329	\$ 372,199	\$ -	\$ -	3,383,528
Total capital assets, being depreciated, net	5,654,341				8,512,709
Business-type activities capital assets, net	\$ 8,763,459				\$ 8,735,317

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

Carteret County, North Carolina

Notes to Financial Statements

Note 5. Capital Assets (Continued)

Discretely presented component unit information

The following is a summary of the Carteret County General Hospital Corporation's capital assets at September 30, 2012:

	Balance September 30, 2011	Additions	Retirements	Adjustment and Transfers	Balance September 30, 2012
Capital assets:					
Capital assets, not being depreciated:					
Construction in progress	\$ 288,833	\$ 1,887,315	\$ -	\$ (2,134,126)	\$ 42,022
Land	3,702,853	-	-	-	3,702,853
Total capital assets, not being depreciated	3,991,686	1,887,315	-	(2,134,126)	3,744,875
Capital assets, being depreciated:					
Land improvements	1,075,877	-	-	-	1,075,877
Buildings and improvements	30,752,383	28,995	-	1,034,949	31,816,327
Equipment	59,186,413	5,049,616	-	748,781	64,984,810
Total capital assets, being depreciated	91,014,673	5,078,611	-	1,783,730	97,877,014
Less accumulated depreciation:					
Land improvements	806,866	35,199	-	-	842,065
Buildings and improvements	12,758,612	1,149,204	-	-	13,907,816
Equipment	37,253,567	5,611,930	-	(303,001)	42,562,496
Total accumulated depreciation	50,819,045	\$ 6,796,333	\$ -	\$ (303,001)	57,312,377
Total capital assets, being depreciated, net	40,195,628				40,564,637
Capital assets, net	\$ 44,187,314				\$ 44,309,512

Legal title to the Hospital's capital assets, except equipment purchased by the Hospital from unrestricted funds, is held by Carteret County. The facilities are leased to the Hospital for an annual rent of \$1. In the event of dissolution of the Hospital or its failure to function as a Hospital or to operate as required in the lease, all of its monies, properties and assets shall revert to Carteret County.

The following is a summary of the ABC Board's capital assets at June 30, 2013:

Land	\$ 1,149,703
Buildings	3,099,387
Furniture and equipment	1,396,811
Leasehold improvements	90,340
Building improvements	112,352
	5,848,593
Less accumulated depreciation	2,218,104
	\$ 3,630,489

Carteret County, North Carolina

Notes to Financial Statements

Note 5. Capital Assets (Continued)

The following is a summary of the Beaufort – Morehead City Airport Authority’s capital assets at June 30, 2013:

Construction in progress	\$ 4,660,034
Land	1,455,133
Aviation easement	577,000
Equipment	77,010
Vehicle	24,066
Hangers	564,989
Land/runway improvements	3,554,706
	<u>10,912,938</u>
Less accumulated depreciation	651,910
	<u>\$ 10,261,028</u>

The following is a summary of the Carteret County Tourism and Development Authority’s capital assets at June 30, 2013:

Buildings	\$ 67,069
Other improvements	56,757
Equipment	123,836
Vehicles	19,723
	<u>267,385</u>
Less accumulated depreciation	118,148
	<u>\$ 149,237</u>

Carteret County, North Carolina

Notes to Financial Statements

Note 6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses (including liabilities to be paid from restricted assets) at the government-wide level at June 30, 2013, were as follows:

	Vendors	Salaries and Benefits	Total
Governmental activities:			
General	\$ 1,706,582	\$ 898,627	\$ 2,605,209
Occupancy Tax	563,931	-	563,931
Other governmental	944,585	-	944,585
Total governmental activities (1)	\$ 3,215,098	\$ 898,627	\$ 4,113,725
Business-type activities:			
Water	\$ 42,227	\$ 14,983	\$ 57,210
Total business - type activities	\$ 42,227	\$ 14,983	\$ 57,210

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

Note 7. Deferred Outflows and Inflows of Resources

The amount of deferred outflows of resources is a charge on refunding of debt of \$2,170,697. The balance in deferred inflows of resources on the fund statements and government-wide statements at year-end are composed of the following elements:

	Unavailable Revenue	Unearned Revenue
Prepaid taxes not yet earned (General)	\$ -	\$ 51,009
Taxes receivable, net (General)	2,693,867	-
Taxes receivable, net (Special Revenue)	563,603	-
Solid waste fees receivable (General)	394,333	-
Total	\$ 3,651,803	\$ 51,009

Note 8. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County carries commercial insurance for liability, casualty risks, property and workers' compensation coverage. There have been no significant reductions in insurance coverage from the previous fiscal year and settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The County does not carry flood insurance as they are above the AE zone. For health and dental insurance, the County is insured through a commercial carrier.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The Director of Finance and tax collector are each individually bonded for \$100,000 and \$50,000, respectively. The remaining employees that have access to funds are bonded under a \$250,000 blanket bond.

Component Unit Information:

All of the component units are exposed to similar risks as described above for the County and each maintains insurance policies in effect that would minimize the chance of any claims adversely affecting the financial position of the component units.

Note 8. Risk Management (Continued)

The Hospital is insured under claims-made policies for the purpose of providing professional and patient care liability insurance. These policies cover only malpractice claims reported to the insurance carrier during the policy term. Coverage includes a \$3,000,000 policy on professional liability limited to \$1,000,000 per case and an excess coverage policy of \$10,000,000 for specified aggregate amounts in excess of the basic coverage. The Hospital also maintains for Taylor Extended Care a flood insurance policy, which has a one-year term and is renewable in October and November of each year.

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

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

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

The Airport carries flood insurance through the National Flood Insurance Plan ("NFIP"). Because certain property of the Airport is in an area of the State that has been mapped and designated an "A or V" area by the Federal Emergency Management Agency, the Airport is eligible to purchase coverage of \$500,000 per structure through the NFIP. The Airport is also eligible to and has purchased additional commercial flood insurance, for both designated zone areas and non-designated areas.

Notes to Financial Statements

Note 9. Long-Term Obligations

General obligation bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of capital facilities for general government activities and for the construction of Board of Education and Community College properties, which are not recorded as capital assets by the County as disclosed in Note 1. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the County and are serviced by the General Fund. Principal and interest requirements are provided by appropriation in the year in which they become due. The County's general obligation bonds payable at June 30, 2013, are comprised of the following individual issues:

\$19,960,000 - 2004 Refunding of 1995 and 1996 general obligation bonds due on November 1 and May 1 in varying installments through May 1, 2017; interest at varying rates ranging from 3% to 5%	\$ 5,600,000
\$22,000,000 - 2006 School bond, due on October 1 and April 1 in varying installments through April 1, 2026; interest at varying rates ranging from 4% to 5%	4,050,000
\$18,300,000 - 2007 School bond, due on October 1 and April 1 in varying installments through April 1, 2027; interest at varying rates ranging from 3.625% to 5%	14,100,000
\$7,600,000 - 2002 Carteret Community College additions due on August 1 and February 1 in varying installments through February 1, 2020; interest at varying rates ranging from 3% to 4.75%	4,155,000
\$12,700,000 - 2013 Refunding of 2006 School bond due on October 1 and April 1 in varying installments through April 1, 2026; interest at varying rates ranging from 4.00% to 5.00%	12,700,000
	<u>\$ 40,605,000</u>

Annual debt service requirements to maturity for general obligation bonds as of June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest
2014	\$ 4,060,000	\$ 1,683,813
2015	4,020,000	1,558,285
2016	4,090,000	1,390,085
2017	4,010,000	1,226,185
2018	3,280,000	1,074,050
2019 – 2023	13,285,000	3,443,750
2024 – 2028	7,860,000	718,750
	<u>\$ 40,605,000</u>	<u>\$ 11,094,918</u>

Certificates of Participation

The County issues Certificates of Participation to finance the construction of capital facilities used for general government activities and for the construction of Board of Education properties. These obligations are serviced by the General Fund. The County's certificates of participation at June 30, 2013, are comprised of the following:

\$4,680,000 - 2011 limited obligation bonds due on December 1
and June 1 in varying installments through June 1, 2022, interest
at 2.51% collateralized by the Western Library and the Beaufort
Elementary School

\$ 4,040,000

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

Annual debt service requirements to maturity for certificates of participation as of June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest
2014	\$ 480,000	\$ 120,150
2015	470,000	110,550
2016	460,000	101,150
2017	455,000	91,950
2018	445,000	78,300
2019-2022	1,730,000	155,000
	<u>\$ 4,040,000</u>	<u>\$ 657,100</u>

Installment Purchase Obligations

The County has entered into various installment-financing agreements for equipment and capital improvements. The County's installment-financing agreements at June 30, 2013, are comprised of the following:

Governmental activities (serviced by the General Fund):

\$2,000,000 - Renovations of Morehead Elementary School for 15 consecutive annual debt service fund installments beginning fiscal year 2007-2008, held by Bank of America	\$ 2,000,000
\$1,700,000 - Construction and renovations to Carteret Community College buildings for 7 consecutive annual installments, beginning in fiscal year 2007-2008, including interest at 4.260%, held by Bank of America	100,686
\$1,781,354 - Renovations of Newport Elementary School for 15 consecutive annual debt service fund installments beginning fiscal year 2009-2010, held by Galena Bank & Trust	1,321,354
\$9,275,000 - 2009 governmental office space renovation and refunding of 2000 certificates of participation due on December 1 and June 1 in varying installments through June 1, 2020, interest at 3.59% collateralized by Newport Middle School and the County Health Center, held by BB&T	6,155,000
\$4,000,000 QZAB - Renovations of East Carteret High School for 13 consecutive annual installments, beginning in fiscal year 2011-2012, including interest at 5.22%, held by BB&T	3,384,616
\$1,653,860 QSCB - Renovations of schools for 12 consecutive annual installments, beginning in fiscal year 2011-2012, including interest at 4.81%, held by BB&T	1,378,216
	<u>14,339,872</u>

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

\$589,608 - Construction of water treatment and distribution facilities for 19 consecutive installments, beginning in fiscal year 2004-2005, including interest at 5.75% annual funds provided by State Revolving Fund, held by NCDENR	310,320
\$2,800,000 - Construction of Phase II Waterline extension for 20 consecutive annual installments, beginning in fiscal year 2005 - 2006, including interest at 2.205%, funds provided by State Revolving Fund, held by NCDENR	1,820,000
	<u>2,130,320</u>
	<u>\$ 16,470,192</u>

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

Annual debt service requirements to maturity for installment financing at June 30, 2013, are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 1,601,200	\$ 468,223	\$ 171,032	\$ 57,974	\$ 1,772,232	\$ 526,197
2015	1,490,514	407,497	171,032	53,103	1,661,546	460,600
2016	1,480,514	351,420	171,032	48,232	1,651,546	399,652
2017	1,465,514	295,880	171,032	43,360	1,636,546	339,240
2018	1,450,514	240,879	171,032	38,489	1,621,546	279,368
2019 – 2023	6,422,570	498,060	855,160	119,376	7,277,730	617,436
2024 – 2028	429,046	16,060	420,000	18,522	849,046	34,582
	<u>\$ 14,339,872</u>	<u>\$ 2,278,019</u>	<u>\$ 2,130,320</u>	<u>\$ 379,056</u>	<u>\$ 16,470,192</u>	<u>\$ 2,657,075</u>

Revenue Bond

\$1,046,000 USDA water revenue bond issued on November 26, 2012; interest at 2.75%

bonds due on June 1 in varying installments through June 1, 2052

\$ 1,046,000

Annual debt service requirements to maturity for revenue bonds June 30, 2013, are as follows:

June 30,	Principal	Interest
2014	\$ -	\$ 28,765
2015	16,000	28,765
2016	16,000	28,325
2017	17,000	27,885
2018	17,000	27,418
2019-2023	94,000	129,718
2024-2028	107,000	116,133
2029-2033	123,000	100,540
2034-2038	141,000	82,665
2039-2043	161,000	62,178
2044-2048	185,000	38,775
2048-2052	169,000	11,796
	<u>\$ 1,046,000</u>	<u>\$ 682,963</u>

Advance Refundings

On April 25, 2013, the County issued \$12,700,000 of general obligation advance refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of general resources for all future debt service payments \$13,400,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position assets. The reacquisition price exceeded the net carrying amount of the old debt by \$1,677,852. This amount is being netted against the new debt and amortized over the life of the refunded debt which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 9 years by \$746,235 and resulted in an economic gain of \$816,366.

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

Debt Related to Capital Activities – Of the total Governmental Activities debt listed only \$1,200,000 relates to assets the County holds title. No restricted cash relates to this debt amount.

The following is a summary of changes in the County’s long-term obligations for the fiscal year ended June 30, 2013:

	Beginning Balance June 30, 2012 <small>(as restated - see Note 22)</small>	Additions	Retirements	Ending Balance June 30, 2013	Due Within One Year
Governmental activities:					
Bonds/certificates payable:					
General obligation bonds	\$ 45,100,000	\$ 12,700,000	\$ 17,195,000	\$ 40,605,000	\$ 4,060,000
Certificates of participation	4,660,000	-	620,000	4,040,000	480,000
Bond premiums	1,287,398	2,624,435	446,916	3,464,917	-
Total bonds payable	51,047,398	15,324,435	18,261,916	48,109,917	4,540,000
Installment purchase obligations	16,099,052	-	1,759,180	14,339,872	1,601,200
Compensated absences	1,172,377	1,050,867	1,020,691	1,202,553	824,702
Special separation allowance pension obligations	279,413	65,583	14,900	330,096	-
Net OPEB obligation	1,882,885	625,812	227,978	2,280,719	-
Governmental activity long-term liabilities	\$ 70,481,125	\$ 17,066,697	\$ 21,284,665	\$ 66,263,157	\$ 6,965,902
Business-type activities:					
Bond Anticipation Note	\$ 1,046,000	\$ -	\$ 1,046,000	\$ -	\$ -
Revenue Bond	-	1,046,000	-	1,046,000	-
Installment purchase obligations	2,301,352	-	171,032	2,130,320	171,032
Compensated absences	20,995	12,420	14,972	18,443	2,901
Business-type activity long-term liabilities	\$ 3,368,347	\$ 1,058,420	\$ 1,232,004	\$ 3,194,763	\$ 173,933

Separation allowance pension obligations and net OPEB obligation for governmental activities typically have been liquidated in the general fund and are funded on a “pay-as-you-go” basis and “as they come due”, respectively.

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

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

At June 30, 2013, Carteret County had bonds authorized but unissued of \$9,710,000 and a legal debt margin of \$1,145,578,184.

Component unit information:

The Hospital has several capital lease obligations for certain medical equipment and software at September 30, 2012. The leases expire at various dates through 2017 and have a present value of minimum lease payments of \$1,504,861.

Minimum annual lease payments for years subsequent to September 30, 2012, are as follows:

Year Ending September 30,	Amount
2013	\$ 456,035
2014	391,339
2015	395,553
2016	264,703
2017	79,830
Total minimum lease payments	1,587,460
Less amount representing interest 3.00%-7.61%	(82,599)
Present value of net minimum lease obligations	1,504,861
Less current maturities	(423,121)
Obligations under capital leases, less current maturities	<u>\$ 1,081,740</u>

Assets under capital leases had a cost basis of \$2,814,572 and accumulated depreciation on these assets of \$1,067,942 at September 30, 2012.

Long-term obligations for the ABC Board as of June 30, 2013, are as follows:

Installment loan payable in the original loan amount of \$995,000 payable in monthly payments including interest at 2.99%. Balance shall be due July 19, 2022. Collateralized by real estate.	\$ 212,143
Installment loan payable in the loan amount of \$995,000 with interest payable at 3.25% monthly. Balance due July 19, 2022. Collateralized by real estate.	656,983
Installment loan payable in the loan amount of \$389,000 payable in monthly installments including interest at 3.25%, due July 19, 2022. Collateralized by real estate.	256,463
Installment loan payable in the loan amount of \$748,000 with interest payable at 3.25% monthly. Balance due July 19, 2022. Collateralized by real estate.	482,404
	<u>1,607,993</u>
Less current maturities	171,522
Long-term debt	<u><u>\$ 1,436,471</u></u>

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

Aggregate maturities of the ABC Board's long-term debt at June 30, 2013, are as follows:

Year Ending June 30,	Amount
2014	\$ 171,522
2015	175,684
2016	179,947
2017	184,314
2018	188,787
2019 and thereafter	707,739
	<u>\$ 1,607,993</u>

The ABC Board's notes payable include a \$150,000 revolving line of credit with First Citizens Bank, interest payable on varying dates based on a fixed rate of 3.25% for a tax-exempt status. There was no outstanding balance on this line of credit at June 30, 2013. The note is unsecured and requires that the principal balance be reduced to a zero balance for a period of at least 30 consecutive days during the year.

The ABC Board's accumulated earned vacation at June 30, 2013, amounted to approximately \$46,933 and the current portion of the accumulated vacation pay is not considered to be material.

The Airport had entered into two installment purchase contracts with Carteret County to finance airplane hangers. Both loan balances were paid off and satisfied in full on July 17, 2012. There is no loan amount outstanding at June 30, 2013.

The TDA had accrued compensated absences as a long-term debt at June 30, 2013, in the amount of \$17,058.

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 LGERS is included in the Comprehensive Annual Financial Report ("CAFR") for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding policy: Plan members are required to contribute six percent of their annual covered salary. The County and the ABC Board are required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.74% and 6.77%, respectively, of annual covered payroll. The ABC Board's current rate for employees not engaged in law enforcement and for law enforcement officers is 6.74% and 6.77%, 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, 2013, 2012 and 2011 were \$989,581, \$1,023,722 and \$922,101, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2013, 2012, and 2011 were \$45,168, \$41,067, and \$41,121, respectively. The contributions 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 Separation Allowance. At December 31, 2012, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Active plan members	<u>46</u>
Total	<u><u>47</u></u>

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

2. Summary of Significant Accounting Policies

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

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

Carteret County, North Carolina

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

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, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include postretirement benefit increases. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2012, was 18 years.

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

Annual required contribution	\$ 69,000
Interest on net pension obligation	13,971
Adjustment to annual required contribution	(17,388)
Annual pension cost	65,583
Employer contributions made for fiscal year ended June 30, 2013	14,900
Increase in net pension obligation	50,683
Net pension obligation, beginning of fiscal year	279,413
Net pension obligation, end of fiscal year	\$ 330,096

3 Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
06/30/2011	\$ 60,339	59.70%	\$ 246,431
06/30/2012	60,966	45.90%	279,413
06/30/2013	65,583	22.72%	330,096

4. Funded Status and Funding Progress.

As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability ("UAAL") was \$521,813. The covered payroll (annual payroll of active employees covered by the plan) was \$1,800,622, and the ratio of the UAAL to the covered payroll was 28.98 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 10. Retirement Systems (Continued)

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan description: The County and ABC Board contribute to the Supplemental Retirement Income Plan ("Plan"), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County and ABC Board. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report ("CAFR") for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding policy: Article 12E of G.S. Chapter 143 requires the County 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, 2013 were \$153,163, which consisted of \$94,311 from the County and \$58,852 from law enforcement officers. Contributions from the ABC Board for June 30, 2013 consisted of \$3,125 from the Board and zero from the law enforcement officers.

Supplemental Retirement Income Plan for General Employees

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

Funding policy: The County has voluntarily elected to contribute each month an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2013, were \$926,385, which consisted of \$638,569 from the County and \$287,816 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 eligible 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. The Registers of Deeds' Supplemental Pension Fund is included in the CAFR for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding policy: On a monthly basis, the County remits to the Department of State Treasurer an amount equal to 1.5% 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, 2013, the County's required and actual contributions were \$10,583.

Note 10. Retirement Systems (Continued)

Carteret County General Hospital Corporation Pension Plan

Money Purchase Pension Plan – Hospital retirement benefits are provided through a money purchase defined contribution plan for all eligible employees of the Hospital. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974.

The Hospital contributed an amount equal to 4% of eligible employee's base salary. Contributions for year ended September 30, 2012, were approximately \$1,366,000. The Hospital's contributions for each employee (and plan earnings allocated to the employee's account) are fully vested after three years of continuous service. Hospital contributions, and plan earnings thereon for employees who leave employment before three years of service are used to reduce the Hospital's current-period contribution requirement.

The Hospital also provides a defined contribution plan under Section 403(b) of the Internal Revenue Code. This plan is available to all eligible employees of the Hospital with employee contributions made through payroll deductions authorized by the employee. The Hospital contributed 100% of the first 2% contributed by the employee. Employees are fully vested in Hospital contributions upon participation in the 403(b) retirement plan. Contributions for the year ended September 30, 2012, were approximately \$589,000.

Carteret County Tourism Development Authority Retirement Plan

The TDA adopted a simplified employee pension - Individual Retirement Account for each of its full-time employees who have completed one year of employment. The TDA's contribution is four percent of salary for qualifying employees. The TDA's contribution amount for the fiscal year ended June 30, 2013, was \$7,771.

Carteret County ABC Board 401(k) Plan

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

The ABC Board has elected to make matching contributions to the 401 (k) plan on behalf of participating employees up to 5% of their eligible wages. The Board made matching contributions to the plan for years ended June 30, 2013 and 2012 totaling \$24,894 and \$23,385, respectively.

Note 11. Other Post-Employment Benefits

Healthcare Benefits

Plan description. Under the terms of a County personnel policy, the County administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). As of August 5, 2002, this plan provides postemployment healthcare benefits to retirees of the County, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) for at least twenty years, and retire with at least ten years of creditable service with the County. Prior to August 5, 2002, employees qualified for similar level benefits after at least five years of creditable service with the County. The County pays the full cost of coverage for these benefits through private insurers. Also, the County's retirees can purchase coverage for themselves and their spouses at the County's group rates. The County Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2011, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and spouses receiving benefits	22	5
Active plan members	380	48
Total	402	53

Funding policy. The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under the County personnel policy that can be amended by the County Commissioners. The County's members pay \$520 per month for dependent coverage. The County has chosen to fund the healthcare benefits on a pay-as-you-go basis, from the general fund.

The current annual required contribution ("ARC") rate is 4.21% of annual covered payroll. For the current year, the County contributed \$227,978 or 1.54% of annual covered payroll. The County obtains healthcare coverage through private insurers. There were no contributions made by employees or retirees, except for dependent and spouse coverage in the amount of \$143,445. The County's obligation to contribute to HCB Plan is established and may be amended by the County Commissioners.

Summary of significant accounting policies. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Notes to Financial Statements

Note 11. Other Post-Employment Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost (expense) is calculated based on the ARC of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the County's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 622,446
Interest on net OPEB obligation	75,316
Adjustment to annual required contribution	<u>(71,950)</u>
Annual OPEB cost	625,812
Contributions made	<u>(227,978)</u>
Increase in net OPEB obligation	397,834
Net OPEB obligation, beginning of year	<u>1,882,885</u>
Net OPEB obligation, end of year	<u><u>\$ 2,280,719</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2013, were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 647,174	25.40%	\$ 1,485,755
2012	625,102	36.50%	1,882,885
2013	625,812	36.43%	2,280,719

Funded status and funding progress. As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability ("UAAL") was \$6,392,506. The covered payroll (annual payroll of active employees covered by the plan) was \$14,771,980, and the ratio of the UAAL to the covered payroll was 43.3%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 11. Other Post-Employment Benefits (Continued)

Actuarial methods and assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2011, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 9.50 declining to 5.00 percent annually. The investment rate included a 3.00 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2011, was 30 years.

Note 12. Other Employment Benefits

The County and the ABC Board have elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System ("Death Benefit Plan"), a multiemployer, State administered, cost-sharing plan funded on a one-year term cost basis. Lump-sum death benefits are provided to beneficiaries of those employees: 1) who die in active service after one year of contributing membership in the System, or 2) who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employees' death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000 for the County and for the ABC Board. All death benefit payments are made from the Death Benefit Plan. The County and the ABC Board have no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount. The County considers these contributions to be immaterial.

Carteret County, North Carolina

Notes to Financial Statements

Note 13. Additional Social Welfare Expenditures

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

	Federal	State
Medicaid	\$ 42,330,448	\$ 23,626,887
TANF	278,759	(33)
WIC	970,405	-
Low Income Home Energy	144,100	-
Special Assistance	-	392,612
	\$ 43,723,712	\$ 24,019,466

Note 14. Joint Ventures

The County, in conjunction with Craven County and Pamlico County, participates in the Coastal Regional Solid Waste Management Authority ("Waste Management Authority"). Carteret County appoints two members of the seven-member board. The Waste Management Authority is a joint venture established to provide solid waste management within these counties. The County has an ongoing financial responsibility for the Waste Management Authority because it and the other counties are legally obligated under the intergovernmental agreement that created the Waste Management Authority to honor any deficiencies in the event that proceeds from other sources are insufficient. The County did not contribute any funds to the Waste Management Authority during the fiscal year ended June 30, 2013. 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, 2013. Complete financial statements for the Waste Management Authority can be obtained from the Waste Management Authority's administrative offices at 7400 Old Highway 70 West, Cove City, North Carolina 28523.

The County, in conjunction with the State of North Carolina and the Carteret County Board of Education, participates in a joint venture to operate Carteret Community College. The County appoints four members of the twelve-member board of trustees of the community college. The community college is included as a component unit of the State of North Carolina. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. In addition to providing annual appropriations for the facilities, the County periodically issues general obligation bonds and bank installment loans to provide financing for new and restructured facilities. Of the last general obligation bond issue and bank installment loan for this purpose, \$4,155,000 and \$100,686 in debt is still outstanding, respectively. 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 \$2,309,453 to the Community College during the fiscal year ended June 30, 2013. 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, 2013. Complete financial statements for the Community College may be obtained from the Community College's administrative offices at 3505 Arendell Street, Morehead City, North Carolina 28557.

Note 15. Jointly Governed Organizations

Regional Library

The County, in conjunction with two other counties, governs the operations of the Craven-Pamlico-Carteret Regional Library. Each participating government appoints three board members to the nine-member board. The County has no ongoing financial responsibility for the joint venture because the library's continued existence depends on the State of North Carolina's continued funding. None of the participating governments have any equity interest in the library, so no equity interest has been reflected in the financial statements at June 30, 2013. During the year ended June 30, 2013, the County contributed \$1,000,000 to the library in Carteret County.

Global Trans-Park Development Commission

The Global Trans-Park Development Commission ("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 principal balance of the trust funds is nonexpendable and will revolve as loans are made and repaid to the Commission. At June 30, 2013, the portion of the trust available to be loaned exclusively to Carteret County was \$1,705,420.

Carteret County, North Carolina

Notes to Financial Statements

Note 16. Commitments and Contingencies

Litigation

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

Operating Lease

During the fiscal year ended June 30, 2009, the County entered into a ten year office lease agreement for the Carteret County Board of Elections, the Carteret County Library and various other County offices. Rent under this lease for the year ended June 30, 2013 amounted to \$116,500. Future minimum lease payments for the office lease are as follows:

Year ended June 30,	Annual Lease Payment
2014	\$ 116,500
2015	116,500
2016	116,500
2017	116,500
2018	116,500
	<u>\$ 582,500</u>

Federal and State Assisted Programs

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

Component unit information:

The Hospital is insured under claims-made policies for the purpose of providing professional and patient care liability insurance. These policies cover only malpractice claims reported to the insurance carrier during the policy term. Coverage includes a \$3,000,000 policy on professional liability limited to \$1,000,000 per case and an excess coverage policy of \$10,000,000 for specified aggregate amounts in excess of the basic coverage. The excess coverage is an occurrence policy with a retroactive date of June 15, 1976. Incidents occurring through September 30, 2012, may result in the assertion of a claim. In the opinion of management, these actions would be successfully defended or resolved without material adverse effect on the financial position of the Hospital.

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

The Airport has the following construction commitments as of June 30, 2013:

Project	Spent-To-Date	Remaining Commitment
R/W 8-26 Extension to 5000	\$ 4,660,034	\$ 64,525
	<u>\$ 4,660,034</u>	<u>\$ 64,525</u>

Carteret County, North Carolina

Notes to Financial Statements

Note 17. Interfund and Intra-Entity Receivables and Payables

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Occupancy Tax	
	Occupancy tax distribution	<u>\$ 291,812</u>

Due to/from primary government and component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government:	Component unit:	
General Fund	Carteret County ABC Board	
	Net income distribution due to County at June 30, 2013	<u>\$ 124,623</u>

Carteret County, North Carolina

Notes to Financial Statements

Note 18. Interfund Transfers and Intra-Entity Transactions With Component Units

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

Interfund transfers for the year ended June 30, 2013, are as follows:

Transfers Out	Transfers In			Total
	Major General	Other Governmental Funds	Major Water Fund	
Major General Fund	\$ -	\$ 9,960,974	\$ 97,785	\$ 10,058,759
Major Occupancy Tax Fund	1,812,981	-	-	1,812,981
Other Governmental Funds	50,000	-	231,565	281,565
Water Fund	97,785	-	-	97,785
Total transfers out	\$ 1,960,766	\$ 9,960,974	\$ 329,350	\$ 12,251,090

Transfers consist primarily of the following:

\$ 9,960,974	Transfer from General Fund for various current and future capital projects and to supplement other funding sources in the special revenue and capital projects funds
1,812,981	Transfer from Occupancy Tax Fund in accordance with North Carolina General Statutes
50,000	Transfer from Water Taxing District Fund to the General Fund to reimburse water fund expenses
97,785	Transfer from Water Fund to the General Fund to reimburse expenses
231,565	Transfer from Water Taxing District Fund to the Water Fund to fund capital and debt service

Intra-entity transactions with discretely presented component units for the year ended June 30, 2013, are as follows:

Expenditures from General Fund to Beaufort-Morehead City Airport Authority for operations and capital improvements	\$ 1,277,008
Expenditures from Occupancy Tax Fund to Carteret County Tourism Development Authority for portion of Room Occupancy Tax	2,637,711
	\$ 3,914,719
Profit Contributions from ABC Board to General Fund	\$ 471,855

Carteret County, North Carolina

Notes to Financial Statements

Note 19. Pronouncements Issued, Not Yet Effective

The GASB has issued several pronouncements prior to June 30, 2013, that have effective dates that may affect future financial presentation.

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

- GASB Statement Number 66, "Technical Corrections – 2012- An Amendment of GASB Statement No. 10 and No. 62" will be effective for the County beginning with its year ending June 30, 2014.
- GASB Statement Number 67, "Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25" will be effective for the County beginning with its year ending June 30, 2014.
- GASB Statement Number 68, "Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27" will be effective for the County beginning with its year ending June 30, 2015.
- GASB Statement Number 69 – "Government Combinations and Disposals of Government Operations" will be effective for the County beginning with its year ending June 30, 2015.
- GASB Statement Number 70 – "Accounting and Financial Reporting for Nonexchange Financial Guarantees" will be effective for the County beginning with its year ending June 30, 2014.

Note 20. Subsequent Events

The County has evaluated its subsequent events (events occurring after June 30, 2013) through November 22, 2013 which represents the date the financial statements were available to be issued.

Note 21. Special Item

During the year ended June 30, 2013, the County sold operating rights for 104 certified beds at its Taylor Extended Care Facility for \$2,000,000 to Pruitt Properties, Inc. Additionally, the County entered into a five year operating lease of assets with Pruitt Properties, Inc. (Lessee). The operating lease allows the Lessee to use the current building, appurtenances, 16 acres of land on which the Facility is located and other personal property necessary for the operation of the Facility. An annual operating rent totaling \$435,000 is to be paid to the County in sixty monthly installments, totaling \$2,175,000. The County is willing to renegotiate the terms of the lease if the Lessee builds its new facility in the Town of Beaufort or its extraterritorial planning jurisdiction (ETJ). The County collected \$145,000 of rental income during the fiscal year ending June 30, 2013.

Note 22. Change in Accounting Principles/ Restatement

The County implemented Governmental Accounting Standard Board (GASB) Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Statement 65, Items Previously Reported as Assets and Liabilities, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Under Statement 63, items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Certain Deferred Outflows and Inflows can exist in Balance Sheets presented. The implementation of Statement 63 only changed terminology used at the County.

The GASB Statement 65 requires, among other things, that bond issuance costs, which were previously deferred and amortized, be included in current expenditures. Accounting changes adopted to conform to the provisions of Statement 65 are to be applied retroactively and reported as a restatement of beginning net position. Previously deferred bond issuance costs totaling \$1,325,467 were recognized as an adjustment to beginning net position in the governmental activities and total columns in the Statement of Net Position - government wide statements in the current year. As a result, beginning net position of governmental activities decreased from \$18,105,677 to \$16,780,210 and total net position decreased similarly.

Deferred charges - refunding, previously reported as deferred charges in long-term obligations, is now reported as a deferred outflow of resources. Additionally, certain items previously reported as liabilities are now reported as deferred inflows of resources. These items are detailed in Note 7.

Supplemental Financial Data

Required Supplemental Financial Data

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

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

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

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

Schedule of Funding Progress for the Other Postemployment Benefits

Schedule of Employer Contributions for the Other Postemployment Benefits

Notes to the Required Schedules for the Other Postemployment Benefits



Carteret County, North Carolina

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

Actuarial Valuation Date	Actuarial value of assets (a)	Actuarial Accrued Liability (AAL)- Proj Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll for Year Ending on Valuation Date (c)	UAAL as a Percentage of Covered Payroll ((b-a) /c)
12/31/2007	\$ -	\$ 330,143	\$ 330,143	0.00%	\$ 1,683,212	19.61%
12/31/2008	-	289,070	289,070	0.00%	1,729,225	16.72%
12/31/2009	-	455,271	455,271	0.00%	1,791,495	25.41%
12/31/2010	-	467,450	467,450	0.00%	1,764,035	26.50%
12/31/2011	-	494,987	494,987	0.00%	1,844,803	26.83%
12/31/2012	-	521,813	521,813	0.00%	1,800,622	28.98%

Carteret County, North Carolina

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

Year Ending June 30,	Annual Required Contributions	Percentage Contributions
2008	\$ 35,763	73.25%
2009	42,551	70.01%
2010	40,252	89.50%
2011	61,124	58.94%
2012	63,345	44.18%
2013	69,000	21.59%

Notes to the Required Schedules:

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

Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	18 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25% - 7.85%
*Includes inflation at	3.00%
Cost of living adjustments	N/A

Carteret County, North Carolina

**Other Postemployment Benefits
Required Supplementary Information
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial value of assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) /c)
12/31/2006	\$ -	\$ 7,463,212	\$ 7,463,212	0.00%	\$ 12,778,343	58.41%
12/31/2008	-	6,775,484	6,775,484	0.00%	14,099,999	48.10%
12/31/2011	-	6,392,506	6,392,506	0.00%	14,771,980	43.30%

Carteret County, North Carolina

**Other Postemployment Benefits
Required Supplementary Information
Schedule of Employer Contributions**

Year Ending June 30,	Annual Required Contributions	Percentage Contributed
2010	\$ 640,488	26.62%
2011	640,488	25.68%
2012	622,446	36.63%
2013	622,446	36.63%

Notes to the Required Schedules:

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

Valuation date	12/31/2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	9.5% - 5.00%
Year of Ultimate trend rate	2018
*Includes inflation at	3.00%

The assumed investment rate of return reflects the fact that no assets are set aside within Carteret County that are legally held exclusively for retiree health benefits. If a trust or equivalent arrangement were set up for this purpose, the investment rate of return can be increased.

Major Funds

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2013

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Revenues			
Ad valorem taxes:			
Current period	\$ 42,625,000	\$ 42,824,327	\$ 199,327
Prior years	930,000	1,195,187	265,187
Interest and penalties	263,000	336,558	73,558
	<u>43,818,000</u>	<u>44,356,072</u>	<u>538,072</u>
Other taxes and licenses:			
White goods disposal tax	20,000	20,785	785
ABC local bottle tax	30,000	34,275	4,275
Local option sales tax	11,000,000	12,141,574	1,141,574
Solid waste disposal tax	20,000	26,626	6,626
Scrap tire disposal tax	80,000	82,855	2,855
	<u>11,150,000</u>	<u>12,306,115</u>	<u>1,156,115</u>
Permits and fees:			
Sheriff fees	190,000	256,364	66,364
Register of deeds	1,071,620	1,105,557	33,937
Privilege licenses	14,000	15,275	1,275
Franchise fees	515,000	474,007	(40,993)
Building and Inspection Fees	535,000	575,914	40,914
Environmental health fees	250,000	262,585	12,585
Other fees	106,300	91,808	(14,492)
	<u>2,681,920</u>	<u>2,781,510</u>	<u>99,590</u>
Intergovernmental:			
Restricted:			
Federal and State grants	11,344,339	11,232,516	(111,823)
Lottery proceeds	700,000	700,000	-
Court facilities fees	185,000	200,009	15,009
Unrestricted:			
Beer and wine tax	160,000	158,022	(1,978)
Payments in lieu of taxes	-	110,609	110,609
ABC profits	350,000	471,855	121,855
Croatan National Forest	65,000	51,239	(13,761)
	<u>12,804,339</u>	<u>12,924,250</u>	<u>119,911</u>
Sales and services:			
Solid waste	2,220,000	2,198,355	(21,645)
Civic center fees	177,230	199,996	22,766
Other	468,770	348,154	(120,616)
	<u>2,866,000</u>	<u>2,746,505</u>	<u>(119,495)</u>
Interest	400,000	(77,852)	(477,852)
Miscellaneous:			
Other	64,194	118,669	54,475
	<u>64,194</u>	<u>118,669</u>	<u>54,475</u>
Total revenues	<u>73,784,453</u>	<u>75,155,269</u>	<u>1,370,816</u>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2013

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Expenditures			
General government:			
Governing body:			
Salaries and employee benefits		47,892	
Operating expenses		145,227	
Professional services		62,590	
	<u>313,200</u>	<u>255,709</u>	<u>57,491</u>
Administration:			
Salaries and employee benefits		289,782	
Operating expenses		28,317	
	<u>330,117</u>	<u>318,099</u>	<u>12,018</u>
Information systems:			
Salaries and employee benefits		255,173	
Operating expenses		549,537	
Capital outlay		16,512	
	<u>867,350</u>	<u>821,222</u>	<u>46,128</u>
Finance:			
Salaries and employee benefits		533,437	
Operating expenses		42,856	
	<u>603,988</u>	<u>576,293</u>	<u>27,695</u>
Human resources:			
Salaries and employee benefits		260,316	
Operating expenses		39,928	
	<u>327,244</u>	<u>300,244</u>	<u>27,000</u>
Tax:			
Salaries and employee benefits		906,222	
Operating expenses		94,266	
Contract services		122,762	
	<u>1,198,537</u>	<u>1,123,250</u>	<u>75,287</u>
Revaluation:			
Salaries and employee benefits		167,714	
Operating expenses		17,428	
	<u>243,499</u>	<u>185,142</u>	<u>58,357</u>
Legal:			
Professional services	70,000	44,569	25,431
Court facilities:			
Operating expenses	65,765	50,604	15,161
Elections:			
Salaries and employee benefits		241,745	
Operating expenses		139,824	
	<u>434,693</u>	<u>381,569</u>	<u>53,124</u>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2013

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Register of deeds:			
Salaries and employee benefits		250,874	
Operating expenses		92,106	
	479,998	342,980	137,018
Public buildings:			
Salaries and employee benefits		299,328	
Operating expenses		629,165	
Capital outlay		369,351	
	1,508,062	1,297,844	210,218
Total general government	6,442,453	5,697,525	744,928
Public safety:			
Sheriff:			
Salaries and employee benefits		3,135,932	
Operating expenses		816,379	
Contract services		50,964	
Capital outlay		197,273	
	4,251,276	4,200,548	50,728
Sheriff - Jail division:			
Salaries and employee benefits		1,358,361	
Operating expenses		819,880	
Contract services		250,841	
	2,479,251	2,429,082	50,169
Paramedic operations:			
Salaries and employee benefits		630,589	
Operating expenses		129,798	
Capital outlay		117,099	
	908,155	877,486	30,669
Emergency management:			
Salaries and employee benefits		248,334	
Operating expenses		65,804	
Contracted services		137,770	
	488,996	451,908	37,088
Rape crisis program:			
Salaries and employee benefits		155,370	
Operating expenses		29,303	
	207,824	184,673	23,151

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2013

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Domestic violence program:			
Operating expenses	29,695	26,939	2,756
Fire Marshall:			
Salaries and employee benefits		91,166	
Operating expenses		24,037	
	117,995	115,203	2,792
Consolidated Communications:			
Salaries and employee benefits		1,094,077	
Operating expenses		208,325	
	1,461,682	1,302,402	159,280
Medical examiner:			
Professional services	50,000	48,100	1,900
Animal control:			
Salaries and employee benefits		179,547	
Operating expenses		293,850	
	478,981	473,397	5,584
Total public safety	10,473,855	10,109,738	364,117
Transportation:			
Harbors:			
Operating expenses	27,390	14,768	12,622
Beaufort-Morehead City Airport Authority	1,501,344	1,501,344	-
CCATS:			
Salaries and employee benefits		476,239	
Operating expenses		314,776	
Capital outlay		351,178	
	1,445,509	1,142,193	303,316
Total transportation	2,974,243	2,658,305	315,938
Environmental protection:			
Forest fire control	120,000	91,331	28,669
Tri-County solid waste collections	2,404,300	2,328,779	75,521

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2013

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Public works:			
Salaries and employee benefits		397,672	
Operating expenses		274,055	
Capital outlay		12,550	
	<u>726,986</u>	<u>684,277</u>	<u>42,709</u>
Total environmental protection	3,251,286	3,104,387	146,899
Economic and physical development:			
Special appropriations:			
Economic Development Council		175,000	
Business development		25,000	
	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Beach nourishment			
Salaries and employee benefits		110,332	
Operating expenses		340,396	
Contract services		346,523	
	<u>2,036,195</u>	<u>797,251</u>	<u>1,238,944</u>
Planning and zoning:			
Salaries and employee benefits		573,760	
Operating expenses		83,092	
Contract services		49,213	
	<u>828,222</u>	<u>706,065</u>	<u>122,157</u>
Engineering:			
Salaries and employee benefits		103,721	
Operating expenses		4,603	
	<u>146,225</u>	<u>108,324</u>	<u>37,901</u>
Cooperative extension:			
Salaries and employee benefits		56,072	
Operating expenses		208,461	
	<u>302,389</u>	<u>264,533</u>	<u>37,856</u>
Total economic and physical development	3,513,031	2,076,173	1,436,858
Human Services:			
Health center:			
Salaries and employee benefits		918,985	
Operating expenses		209,104	
	<u>1,250,102</u>	<u>1,128,089</u>	<u>122,013</u>
Breast & Cervical Cancer			
Operating expenses		24,628	
	<u>29,636</u>	<u>24,628</u>	<u>5,008</u>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2013

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Dental Program			
Salaries and employee benefits		136,654	
Operating expenses		16,607	
	<u>166,779</u>	<u>153,261</u>	<u>13,518</u>
Communicable Diseases			
Salaries and employee benefits		118,695	
Operating expenses		1,111	
	<u>124,938</u>	<u>119,806</u>	<u>5,132</u>
Operating Preparedness and Response			
Salaries and employee benefits		59,622	
Operating expenses		1,210	
	<u>61,855</u>	<u>60,832</u>	<u>1,023</u>
Family Planning			
Salaries and employee benefits		147,570	
Operating expenses		42,692	
	<u>191,125</u>	<u>190,262</u>	<u>863</u>
Maternal adult and child health:			
Salaries and employee benefits		275,876	
Operating expenses		1,963	
	<u>279,898</u>	<u>277,839</u>	<u>2,059</u>
Child care coordination:			
Salaries and employee benefits		187,882	
Operating expenses		414	
	<u>191,849</u>	<u>188,296</u>	<u>3,553</u>
Women, infants, and children:			
Administration:			
Salaries and employee benefits		201,250	
Operating expenses		2,615	
	<u>216,006</u>	<u>203,865</u>	<u>12,141</u>
Nutrition:			
Salaries and employee benefits		53,365	
Operating expenses		242	
	<u>54,868</u>	<u>53,607</u>	<u>1,261</u>
Environmental health:			
Salaries and employee benefits		953,334	
Operating expenses		76,507	
	<u>1,071,012</u>	<u>1,029,841</u>	<u>41,171</u>
Mental health:			
Mental health center and other		198,000	
Mental health, ABC		30,000	
	<u>228,000</u>	<u>228,000</u>	<u>-</u>
DSS administration:			
Salaries and employee benefits		5,418,799	
Operating expenses		1,148,120	
Capital outlay		17,260	
	<u>6,857,442</u>	<u>6,584,179</u>	<u>273,263</u>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2013

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
General assistance:			
Boarding home		80,342	
Clothing and medical expense		8,668	
Special children adoption		2,231	
Childrens Adoption Incentive		25,608	
Smart Start day care		29,000	
Miscellaneous		37,243	
	353,000	183,092	169,908
TANF Block grant:			
TANF Block grant		58,476	
Operating expenses		57,984	
	211,000	116,460	94,540
DSS special assistance	3,179,365	2,662,275	517,090
Special projects	771,090	610,519	160,571
Other human services	350,048	259,287	90,761
Veteran services:			
Salaries and employee benefits		237,549	
Operating expenses		49,886	
Contracted services		24,168	
Capital outlay		8,458	
	346,323	320,061	26,262
Senior center aging programs:			
Salaries and employee benefits		214,632	
Operating expenses		51,274	
Contract services		154,471	
	431,379	420,377	11,002
Total human services	16,365,715	14,814,576	1,551,139
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits		433,468	
Operating expenses		210,756	
Contract services		12,029	
	670,379	656,253	14,126

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2013

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Parks and recreation maintenance:			
Salaries and employee benefits		342,889	
Operating expenses		187,382	
Contract services		6,797	
Contract services		8,879	
	<u>547,613</u>	<u>545,947</u>	<u>1,666</u>
Senior center:			
Salaries and employee benefits		108,239	
Operating expenses		79,207	
Contract services		14,049	
	<u>214,265</u>	<u>201,495</u>	<u>12,770</u>
Carteret County Library:			
Appropriations to Library Systems	<u>1,141,725</u>	<u>1,141,723</u>	<u>2</u>
Civic center:			
Salaries and employee benefits		192,989	
Operating expenses		151,529	
	<u>357,402</u>	<u>344,518</u>	<u>12,884</u>
Total culture and recreation	<u>2,931,384</u>	<u>2,889,936</u>	<u>41,448</u>
Education:			
Public schools, current expense	18,990,000	18,955,988	34,012
Community college, current expense	2,053,000	2,053,000	-
Community college, capital outlay	315,192	256,453	58,739
Total education	<u>21,358,192</u>	<u>21,265,441</u>	<u>92,751</u>
Debt service:			
Principal retirement	6,288,000	6,174,180	113,820
Interest and fees	2,589,015	2,558,945	30,070
Bond issuance costs	238,068	238,068	-
Total debt service	<u>9,115,083</u>	<u>8,971,193</u>	<u>143,890</u>
Total expenditures	<u>76,425,242</u>	<u>71,587,274</u>	<u>4,837,968</u>
Revenues over (under) expenditures	<u>(2,640,789)</u>	<u>3,567,995</u>	<u>6,208,784</u>
Other financing sources (uses)			
Transfers in (out):			
Debt issuance	12,700,000	12,700,000	-
Debt issuance premium	2,624,435	2,624,435	-
Payment to refunded bond escrow agent	(15,077,852)	(15,077,852)	-
Sale of capital assets	510,000	20,080	(489,920)
Special item - proceeds of asset sale	-	2,000,000	2,000,000
From Occupancy Tax Fund	1,839,000	1,812,981	(26,019)
From Other Funds	50,000	147,785	97,785
To School Project Fund	(3,103,000)	(3,103,000)	-
To Capital Improvement Fund	(6,853,263)	(6,853,263)	-
To HWY 101 Water Project Fund	(236,000)	(97,785)	138,215
To Emergency Telephone System Fund	-	(4,711)	(4,711)
Contingency reserves	(146,796)	-	146,796
Appropriated fund balance	10,334,265	-	(10,334,265)
Total other financing sources (uses)	<u>2,640,789</u>	<u>(5,831,330)</u>	<u>(8,472,119)</u>
Net change in fund balance	<u>\$ -</u>	<u>(2,263,335)</u>	<u>\$ (2,263,335)</u>
Fund balance			
Beginning		46,831,356	
Ending		<u>\$ 44,568,021</u>	

Summary of
Nonmajor Funds

Carteret County, North Carolina

Combining Balance Sheet - Nonmajor Governmental Fund Types
June 30, 2013

	Government Fund Types		
	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets			
Assets:			
Cash and investments	\$ 783,742	\$ 4,745,421	\$ 5,529,163
Restricted cash and investments	3,146,767	12,114	3,158,881
Receivables, net	1,087,241	1	1,087,242
Total assets	\$ 5,017,750	\$ 4,757,536	\$ 9,775,286
Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)			
Liabilities:			
Accounts payable and accrued liabilities	\$ 294,902	\$ 649,683	\$ 944,585
Total liabilities	294,902	649,683	944,585
Deferred inflows of resources	563,603	-	563,603
Fund balances:			
Restricted:			
Public safety	766,750	-	766,750
Economic development	103,010	-	103,010
Rescue protection	1,150,716	-	1,150,716
Fire protection	1,601,729	-	1,601,729
School capital	-	12,114	12,114
Committed:			
Economic development	-	729,674	729,674
County Capital Improvements	-	500,000	500,000
School capital	-	1,540,719	1,540,719
Assigned:			
Subsequent year's expenditures	537,040	242,000	779,040
County capital	-	1,083,346	1,083,346
Total fund balance	4,159,245	4,107,853	8,267,098
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,017,750	\$ 4,757,536	\$ 9,775,286

Carteret County, North Carolina

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
 Nonmajor Governmental Fund Types
 Year Ended June 30, 2013

	Government Fund Types		
	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues			
Ad valorem taxes	\$ 5,754,194	\$ -	\$ 5,754,194
Other taxes and licenses	1,576,434	-	1,576,434
Intergovernmental	1,560,254	28,043	1,588,297
Interest	3,715	4,180	7,895
Total revenues	8,894,597	32,223	8,926,820
Expenditures			
Current:			
Public safety	7,438,398	-	7,438,398
Economic and physical development	1,068,853	-	1,068,853
Capital outlay	-	10,484,171	10,484,171
Total expenditures	8,507,251	10,484,171	18,991,422
Revenues over (under) expenditures	387,346	(10,451,948)	(10,064,602)
Other financing sources (uses)			
Transfers in	4,711	9,956,263	9,960,974
Transfers out	(281,565)	-	(281,565)
Total other financing sources (uses)	(276,854)	9,956,263	9,679,409
Net change in fund balance	110,492	(495,685)	(385,193)
Fund balances			
Beginning	4,048,753	4,603,538	8,652,291
Ending	\$ 4,159,245	\$ 4,107,853	\$ 8,267,098

Nonmajor Special
Revenue Funds

Nonmajor Special Revenue Funds

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

Carteret County, North Carolina

Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2013

	Rescue Squad Fund	Fire District Fund	Emergency Telephone System Fund
Assets			
Cash and investments	\$ -	\$ -	\$ 702,309
Restricted cash and investments	1,365,341	1,781,426	-
Receivables:			
Property taxes receivable, net	197,169	347,296	-
Accounts receivable	151,575	268,626	81,860
Total assets	\$ 1,714,085	\$ 2,397,348	\$ 784,169
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 129,160	\$ 148,323	\$ 17,419
Total liabilities	129,160	148,323	17,419
Deferred inflows of resources	197,169	347,296	-
Fund balances:			
Restricted:			
Public safety	-	-	766,750
Economic development	-	-	-
Rescue protection	1,150,716	-	-
Fire protection	-	1,601,729	-
Assigned:			
Subsequent year's expenditures	237,040	300,000	-
Unassigned:	-	-	-
Total fund balances	1,387,756	1,901,729	766,750
Total liabilities, deferred inflows of resources and fund balances	\$ 1,714,085	\$ 2,397,348	\$ 784,169

Salter Path District Fund	Water Tax District Fund	Totals
\$ 28,235	\$ 53,198	\$ 783,742
-	-	3,146,767
3	19,135	563,603
1,395	20,182	523,638
\$ 29,633	\$ 92,515	\$ 5,017,750

\$ -	\$ -	\$ 294,902
-	-	294,902

3	19,135	563,603
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-	-	766,750
29,630	73,380	103,010
-	-	1,150,716
-	-	1,601,729
-	-	537,040
-	-	-
29,630	73,380	4,159,245

\$ 29,633	\$ 92,515	\$ 5,017,750
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Carteret County, North Carolina

Nonmajor Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Year Ended June 30, 2013

	Rescue Squad Fund	Fire District Fund	Emergency Telephone System Fund
Revenues			
Ad valorem taxes	\$ 1,932,321	\$ 3,542,694	\$ -
Other taxes and licenses	540,874	958,557	-
Intergovernmental	-	-	491,162
Interest	1,293	1,869	603
Total revenues	2,474,488	4,503,120	491,765
Expenditures			
Public safety	2,481,123	4,633,299	323,976
Economic and physical development	-	-	-
Total expenditures	2,481,123	4,633,299	323,976
Revenues over expenditures	(6,635)	(130,179)	167,789
Other financing source (uses)			
Transfers in	-	-	4,711
Transfers out	-	-	-
Total other financing uses	-	-	4,711
Revenues and other financing sources over (under) expenditures and other financing uses	(6,635)	(130,179)	172,500
Fund balances (deficits)			
Beginning	1,394,391	2,031,908	594,250
Ending	\$ 1,387,756	\$ 1,901,729	\$ 766,750

Salter Path District Fund	Water Tax District Fund	CDBG 2006 SSH Fund	CDBG 2009 CR Fund	Totals
\$ 6,183	\$ 272,996	\$ -	\$ -	\$ 5,754,194
4,979	72,024	-	-	1,576,434
-	-	315,766	753,326	1,560,254
(131)	81	-	-	3,715
11,031	345,101	315,766	753,326	8,894,597
-	-	-	-	7,438,398
-	-	315,527	753,326	1,068,853
-	-	315,527	753,326	8,507,251
11,031	345,101	239	-	387,346
-	-	-	-	4,711
-	(281,565)	-	-	(281,565)
-	(281,565)	-	-	(276,854)
11,031	63,536	239	-	110,492
18,599	9,844	(239)	-	4,048,753
\$ 29,630	\$ 73,380	\$ -	\$ -	\$ 4,159,245

Carteret County, North Carolina

Rescue Squad Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes	\$ 1,843,560	\$ 1,932,321	\$ 88,761
Other taxes and licenses:			
Local option sales tax	545,000	540,874	(4,126)
Interest	-	1,293	1,293
Total revenues	2,388,560	2,474,488	85,928
Expenditures			
Public safety:			
Beaufort	707,000	707,000	-
Broad and Gales Creek	213,510	213,510	-
Mill Creek	71,935	71,935	-
Mitchell Village	147,795	147,795	-
Otway	152,940	152,940	-
Sea Level	162,180	162,180	-
Western Carteret	388,200	388,200	-
District reserves	146,750	126,740	20,010
Local sales tax	545,000	510,823	34,177
Total expenditures	2,535,310	2,481,123	54,187
Revenues under expenditures	(146,750)	(6,635)	(140,115)
Other financing sources			
Appropriated fund balance	146,750	-	(146,750)
Revenues and other financing sources under expenditures	\$ -	(6,635)	\$ (6,635)
Fund balances			
Beginning		1,394,391	
Ending		<u>\$ 1,387,756</u>	

Carteret County, North Carolina

Fire District Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes	\$ 3,414,895	\$ 3,542,694	\$ 127,799
Other taxes and licenses:			
Local option sales tax	830,500	958,557	128,057
Interest	-	1,869	1,869
Total revenues	4,245,395	4,503,120	257,725
Expenditures			
Public safety:			
Fire Districts:			
Atlantic	74,235	74,235	-
Beaufort	322,385	322,385	-
Broad and Gales Creek	214,305	214,305	-
Cedar Island	46,100	46,100	-
Davis	63,370	63,370	-
Harkers Island	274,240	274,240	-
Harlowe	76,165	76,165	-
Marshallberg	198,180	198,180	-
Mill Creek	27,090	27,090	-
Mitchell Village, Crab Point	321,620	321,620	-
Newport	301,105	301,105	-
North River	55,890	55,890	-
Otway	143,690	143,690	-
Salter Path	57,210	57,210	-
Sea Level	46,885	46,885	-
South River	110,430	110,430	-
Stacy	21,165	21,165	-
Stella	83,420	83,420	-
Wildwood	433,960	433,960	-
Western Carteret	543,450	543,450	-
District reserves	384,211	388,511	(4,300)
Local sales tax	830,500	829,893	607
Total expenditures	4,629,606	4,633,299	(3,693)
Revenues over (under) expenditures	(384,211)	(130,179)	254,032
Other financing sources			
Appropriated fund balance	384,211	-	(384,211)
Revenues and other financing sources over expenditures	\$ -	(130,179)	\$ (130,179)
Fund balances			
Beginning		2,031,908	
Ending		<u>\$ 1,901,729</u>	

Carteret County, North Carolina

Emergency Telephone System Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues			
Intergovernmental	\$ 491,160	\$ 491,162	\$ 2
Interest	-	603	603
Total revenues	491,160	491,765	605
Expenditures			
Public safety:			
Operating expenses	401,160	275,043	126,117
Contracted services	65,000	48,933	16,067
Capital outlay	15,000	-	15,000
Total expenditures	481,160	323,976	157,184
Revenues over expenditures	10,000	167,789	157,789
Other financing sources			
Transfer In	-	4,711	4,711
Contingency	(10,000)	-	10,000
Total other financing sources	(10,000)	4,711	14,711
Revenues and other financing sources over expenditures	\$ -	172,500	\$ 172,500
Fund balances			
Beginning		594,250	
Ending		<u>\$ 766,750</u>	

Carteret County, North Carolina

Salter Path District Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes	\$ 6,275	\$ 6,183	\$ (92)
Other taxes and licenses:			
Local option sales tax	2,100	4,979	2,879
Interest	-	(131)	(131)
Total revenues	8,375	11,031	2,656
Expenditures			
Economic and physical development:			
Beach nourishment	8,375	-	8,375
Total expenditures	8,375	-	8,375
Revenues over expenditures	\$ -	11,031	\$ 11,031
Fund balances			
Beginning		18,599	
Ending		<u>\$ 29,630</u>	

Carteret County, North Carolina

Water Tax District Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes	\$ 253,370	\$ 272,996	\$ 19,626
Other taxes and licenses:			
Local option sales tax	40,000	72,024	32,024
Interest	-	81	81
Total revenues	<u>293,370</u>	<u>345,101</u>	<u>51,731</u>
Other financing uses			
Transfers out	(281,565)	(281,565)	-
Contingency	(11,805)	-	11,805
Total other financing uses	<u>(293,370)</u>	<u>(281,565)</u>	<u>11,805</u>
Revenues over other financing uses	<u>\$ -</u>	<u>63,536</u>	<u>\$ 63,536</u>
Fund balances			
Beginning		9,844	
Ending		<u>\$ 73,380</u>	

Carteret County, North Carolina

2006 CDBG SSH Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and the Year Ended June 30, 2013

	Total Project Estimate	Actual		
		Prior Years	Current Year	Total to Date
Revenues				
Intergovernmental:				
Community Development Block Grant 2006	\$ 400,000	\$ 400,000	\$ -	\$ 400,000
Community Development Block Grant 2009	435,000	119,234	315,766	435,000
Total revenues	835,000	519,234	315,766	835,000
Expenditures				
Economic and physical development:				
2006 program				
Clearance 2006	15,818	15,818	-	15,818
Relocation 2006	114,503	114,503	-	114,503
Rehabilitation 2006	242,326	242,326	-	242,326
Administration 2006	27,353	27,353	-	27,353
	400,000	400,000	-	400,000
2009 program				
Clearance 2009	20,000	1,426	18,574	20,000
Relocation 2009	320,000	108,913	211,087	320,000
Rehabilitation 2009	55,000	145	54,855	55,000
Administration 2009	40,000	8,989	31,011	40,000
	435,000	119,473	315,527	435,000
Total expenditures	835,000	519,473	315,527	835,000
Revenues over (under) expenditures	\$ -	\$ (239)	239	\$ -
Fund balances (deficit)				
Beginning			(239)	
Ending			\$ -	

Carteret County, North Carolina

CDBG 2009 CR Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and the Year Ended June 30, 2013

	Total Project Estimate	Actual		
		Prior Years	Current Year	Total to Date
Revenues				
Intergovernmental:				
Community Development Block Grant	\$ 1,000,000	\$ 246,674	\$ 753,326	\$ 1,000,000
Total revenues	1,000,000	246,674	753,326	1,000,000
Expenditures				
Economic and Physical Development:				
Clearance	38,470	6,040	32,430	38,470
Relocation	500,248	7,848	492,400	500,248
Rehabilitation	283,862	203,437	80,425	283,862
Administration	49,165	29,349	19,816	49,165
Park/ Playground Facility	128,255	-	128,255	128,255
Total expenditures	1,000,000	246,674	753,326	1,000,000
Revenues over expenditures	\$ -	\$ -	-	\$ -
Fund balances				
Beginning			-	
Ending			\$ -	

Nonmajor Capital
Projects Funds

Nonmajor Capital Projects Funds

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

Carteret County, North Carolina

Nonmajor Capital Projects Fund

Combining Balance Sheet
June 30, 2013

	County Capital Reserve Fund	County Capital Improvements Fund	School Special Projects Fund
Assets			
Cash and investments	\$ 729,674	\$ 1,800,346	\$ 2,148,548
Restricted cash and investments	-	-	-
Accounts receivable	-	-	-
Total assets	\$ 729,674	\$ 1,800,346	\$ 2,148,548
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 642,484
Total liabilities	-	-	642,484
Fund balances :			
Restricted:			
School capital	-	-	-
Committed:			
Economic development	729,674	-	-
Taylor Extended Care	-	500,000	-
School capital	-	-	1,481,064
Assigned:			
Subsequent year's expenditures	-	217,000	25,000
County capital	-	1,083,346	-
Total fund balances	729,674	1,800,346	1,506,064
Total liabilities and fund balances	\$ 729,674	\$ 1,800,346	\$ 2,148,548

2006 School Project Fund	Morehead Elementary School Fund	Totals
\$ 7,538	\$ 59,315	\$ 4,745,421
-	12,114	12,114
1	-	1
<u>\$ 7,539</u>	<u>\$ 71,429</u>	<u>\$ 4,757,536</u>

\$ 7,199	\$ -	\$ 649,683
<u>7,199</u>	<u>-</u>	<u>649,683</u>

-	12,114	12,114
-	-	729,674
-	-	500,000
340	59,315	1,540,719
-	-	242,000
-	-	1,083,346
<u>340</u>	<u>71,429</u>	<u>4,107,853</u>
<u>\$ 7,539</u>	<u>\$ 71,429</u>	<u>\$ 4,757,536</u>

Carteret County, North Carolina

Nonmajor Capital Projects Fund

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2013

	County Capital Reserve Fund	County Capital Improvements Fund	School Special Projects Fund
Revenues			
Intergovernmental	\$ -	\$ 8,257	\$ -
Interest	680	1,134	172
Total revenues	680	9,391	172
Expenditures			
Capital outlay	-	6,384,682	2,056,316
Revenues over (under) expenditures	680	(6,375,291)	(2,056,144)
Other financing sources (uses)			
Transfers in	-	6,853,263	3,103,000
Total other financing sources (uses)	-	6,853,263	3,103,000
Revenues and other financing sources over (under) expenditures and other financing uses	680	477,972	1,046,856
Fund balances			
Beginning	728,994	1,322,374	459,208
Ending	\$ 729,674	\$ 1,800,346	\$ 1,506,064

2006 School Project Fund	Morehead Elementary School Fund	Totals
\$ 19,786	\$ -	\$ 28,043
1,749	445	4,180
21,535	445	32,223
1,748,702	294,471	10,484,171
(1,727,167)	(294,026)	(10,451,948)
-	-	9,956,263
-	-	9,956,263
(1,727,167)	(294,026)	(495,685)
1,727,507	365,455	4,603,538
\$ 340	\$ 71,429	\$ 4,107,853

Carteret County, North Carolina

County Capital Reserve Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2013

	Budget	Actual	Variance Positive
Revenues			
Interest	\$ -	\$ 680	\$ 680
Revenues over expenditures	<u>\$ -</u>	<u>680</u>	<u>680</u>
Fund balances			
Beginning		<u>728,994</u>	
Ending		<u>\$ 729,674</u>	

Carteret County, North Carolina

County Capital Improvements Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues			
Intergovernmental	\$ -	\$ 8,257	\$ 8,257
Interest	5,000	1,134	(3,866)
Total revenues	5,000	9,391	4,391
Expenditures			
Capital outlay:			
Aerial Mapping	69,055	69,055	-
Solid Waste Site Improvements	100,000	97,560	2,440
Beach Replenishment	6,203,263	6,203,263	-
Taylor Extended Care Improvements	500,000	-	500,000
Western Library Improvements	15,390	14,804	586
Total expenditures	6,887,708	6,384,682	503,026
Revenues under expenditures	(6,882,708)	(6,375,291)	507,417
Other financing sources			
Transfer from General Fund	6,853,263	6,853,263	-
Fund Balance Appropriated	29,445	-	(29,445)
Total other financing sources	6,882,708	6,853,263	(29,445)
Revenues and other financing sources over expenditures	\$ -	477,972	\$ 477,972
Fund balances			
Beginning		1,322,374	
Ending		<u>\$ 1,800,346</u>	

Carteret County, North Carolina

School Special Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues			
Interest	\$ 5,000	\$ 172	\$ (4,828)
Total revenues	5,000	172	(4,828)
Expenditures			
Capital outlay, Board of Education	3,485,945	2,056,316	1,429,629
Revenues under expenditures	(3,480,945)	(2,056,144)	1,424,801
Other financing sources			
Transfer from General Fund	3,103,000	3,103,000	-
Fund balance appropriated	377,945	-	(377,945)
Total other financing sources	3,480,945	3,103,000	(377,945)
Revenues and other financing sources over expenditures	\$ -	1,046,856	\$ 1,046,856
Fund balances			
Beginning		459,208	
Ending		\$ 1,506,064	

Carteret County, North Carolina

Morehead Elementary School Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2013

	Total Project Estimate	Actual		
		Prior Years	Current Year	Total to Date
Revenues				
Intergovernmental	\$ 35,690	\$ 35,693	\$ -	\$ 35,693
Interest	77,010	77,161	445	77,606
Total revenues	112,700	112,854	445	113,299
Expenditures				
Capital outlay:				
Building Improvements Morehead	2,112,700	1,747,400	294,471	2,041,871
Building Improvements Newport	1,781,354	1,781,353	-	1,781,353
Total expenditures	3,894,054	3,528,753	294,471	3,823,224
Revenues under expenditures	(3,781,354)	(3,415,899)	(294,026)	(3,709,925)
Other financing sources				
Long-term debt issued	3,781,354	3,781,354	-	3,781,354
Revenues and other financing sources over (under) expenditures	\$ -	\$ 365,455	(294,026)	\$ 71,429
Fund balances				
Beginning			365,455	
Ending			<u>\$ 71,429</u>	

Carteret County, North Carolina

2006 School Bond Project Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2013

	Amended	Actual		
	Project Estimate	Prior Years	Current Year	Total to Date
Revenues				
Interest	\$ 2,777,682	\$ 2,776,629	\$ 1,749	\$ 2,778,378
Sales Tax Refunds	822,860	803,076	19,786	822,862
State Bond Proceeds	9,195	9,195	-	9,195
Total revenues	3,609,737	3,588,900	21,535	3,610,435
Expenditures				
Current:				
Atlantic Elementary School	1,289,054	774,123	514,936	1,289,059
Beaufort Middle School	2,242,355	2,242,355	-	2,242,355
Bogue Sound Elementary School	1,938,660	1,938,660	-	1,938,660
Broad Creek Middle School	2,157,911	2,157,910	-	2,157,910
Croatan High School	5,637,194	5,637,193	-	5,637,193
East Carteret High School	8,563,253	8,557,257	5,996	8,563,253
Harkers Island School	1,111,455	1,111,455	-	1,111,455
Morehead Middle School	1,555,676	1,555,676	-	1,555,676
Morehead Primary School	1,145,550	1,145,549	-	1,145,549
Newport Elementary School	4,144,562	4,144,563	-	4,144,563
Smyrna Elementary School	1,396,541	1,394,668	1,872	1,396,540
West Carteret High School	5,958,592	4,832,688	1,125,898	5,958,586
White Oak Elementary School	6,739,470	6,739,471	-	6,739,471
Central Office	214,187	214,187	-	214,187
Transportation Facility	336,488	336,488	-	336,488
Other Construction	591,638	491,638	100,000	591,638
Issuance cost	207,679	207,680	-	207,680
Total expenditures	45,230,265	43,481,561	1,748,702	45,230,263
Revenues under expenditures	(41,620,528)	(39,892,661)	(1,727,167)	(41,619,828)
Other financing sources (uses)				
Transfer from other funds	1,682,403	1,682,403	-	1,682,403
Long-term debt issued	41,753,861	41,753,860	-	41,753,860
Bond premium	438,626	438,267	-	438,267
Transfer to other funds	(2,254,362)	(2,254,362)	-	(2,254,362)
Total other financing sources	41,620,528	41,620,168	-	41,620,168
Revenues over (under) expenditures and other sources	\$ -	\$ 1,727,507	(1,727,167)	\$ 340
Fund balances:				
Beginning			1,727,507	
Ending			\$ 340	

Enterprise Funds

Carteret County, North Carolina

Water Operating Fund

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues, Operating			
Charges for services	\$ 579,700	\$ 575,338	\$ (4,362)
Total operating revenues	579,700	575,338	(4,362)
Expenditures, Operating			
Cost of sales and services:			
Salaries and benefits	225,080	216,963	8,117
Operating expense	250,500	243,551	6,949
Total operating expenditures	475,580	460,514	15,066
Operating revenues over operating expenditures	104,120	114,824	10,704
Nonoperating Revenues (Expenditures)			
Interest earnings	5,000	716	(4,284)
Interest payments	(100,000)	(77,583)	22,417
Principal payments	(197,185)	(171,032)	26,153
Capital outlay	(43,500)	(21,576)	21,924
Total nonoperating revenues (expenditures)	(335,685)	(269,475)	66,210
Revenues under expenditures	(231,565)	(154,651)	76,914
Other Financing Sources			
Transfer from other funds	231,565	231,565	-
Transfer to other funds	-	(97,785)	(97,785)
Total other financing sources	231,565	133,780	(97,785)
Revenues and other financing sources over expenditures	\$ -	\$ (20,871)	\$ (20,871)

Reconciliation of modified accrual basis to full accrual basis:

Revenues and other financing uses over expenditures	\$ (20,871)
Increase in debt interest accrued	(1,563)
Decrease in accrued vacation pay	2,552
Depreciation	(372,199)
Principal on debt	171,032
Capital outlay	21,576
Capital contributions in water project fund	1,751,350
Interest income from water project fund	503
Transfer from general fund to water project fund	97,785
Change in net position	\$ 1,650,165

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, 2013

	Total Project Estimate	Actual		
		Prior Years	Current Year	Total to Date
Revenues				
Intergovernmental:				
Rural Center Grant	\$ 670,000	\$ 420,000	\$ 250,000	\$ 670,000
USDA Grant	1,515,000	-	1,501,350	1,501,350
Sales tax refund	-	3,618	-	3,618
Interest	-	2,045	503	2,548
	2,185,000	425,663	1,751,853	2,177,516
Expenditures				
Engineering and other	193,500	146,856	10,524	157,380
Land	170,000	152,310	-	152,310
Capital outlay	3,123,500	2,728,672	306,984	3,035,656
	3,487,000	3,027,838	317,508	3,345,346
Revenues over (under) expenditures	(1,302,000)	(2,602,175)	1,434,345	(1,167,830)
Other financing sources (uses)				
Transfer from General Fund	276,000	40,000	97,785	137,785
Revenue Bond Anticipation Note	2,092,000	2,092,000	-	2,092,000
USDA Revenue Bond	1,046,000	-	1,046,000	1,046,000
Debt service principal retirement	(2,092,000)	(1,046,000)	(1,046,000)	(2,092,000)
Debt service interest	(20,000)	(10,983)	(4,972)	(15,955)
Total other financing sources (uses)	1,302,000	1,075,017	92,813	1,167,830
Revenues and other financing sources over (under) expenditures	\$ -	\$ (1,527,158)	\$ 1,527,158	\$ -

Agency Funds



Carteret County, North Carolina

Agency Funds

Combining Statement of Changes in Fiduciary Net Position
June 30, 2013

	Sheriff's Department Fund	Social Services Trust Fund	Motor Vehicle Agency	Deed of Trust Agency	Cooperative Extension Agency	Totals
Assets						
Cash	\$ 35,353	\$ 34,487	\$ 1,424	\$ 6,653	\$ 34,360	\$ 112,277
Liabilities						
Accounts payable and accrued liabilities	\$ 35,353	\$ 34,487	\$ 1,424	\$ 6,653	\$ 34,360	\$ 112,277

Carteret County, North Carolina

Agency Funds

**Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2013**

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Sheriff's Department Fund:				
Assets, cash	\$ 45,353	\$ 350,808	\$ 360,808	\$ 35,353
Liabilities	\$ 45,353	\$ 350,808	\$ 360,808	\$ 35,353
Social Services Trust Fund:				
Assets, cash	\$ 27,547	\$ 98,928	\$ 91,988	\$ 34,487
Liabilities	\$ 27,547	\$ 98,928	\$ 91,988	\$ 34,487
Motor Vehicle Agency:				
Assets, cash	\$ 1,295	\$ 20,989	\$ 20,860	\$ 1,424
Liabilities	\$ 1,295	\$ 20,989	\$ 20,860	\$ 1,424
Deed of Trust Agency:				
Assets, cash	\$ 6,882	\$ 84,444	\$ 84,673	\$ 6,653
Liabilities	\$ 6,882	\$ 84,444	\$ 84,673	\$ 6,653
Cooperative Extension Agency:				
Assets, cash	\$ 32,774	\$ 30,406	\$ 28,820	\$ 34,360
Liabilities	\$ 32,774	\$ 30,406	\$ 28,820	\$ 34,360
Totals - All Agency Funds:				
Assets, cash	\$ 113,851	\$ 585,575	\$ 587,149	\$ 112,277
Liabilities:				
Accounts payable and accrued liabilities	\$ 113,851	\$ 585,575	\$ 587,149	\$ 112,277



Capital Assets Used
in the Operation of
Governmental Funds

Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Comparative Schedules by Source

June 30, 2013

	2013	2012
Governmental funds capital assets:		
Land, airport	\$ 169,549	\$ 169,549
Land, other	5,412,812	5,412,812
Construction in progress	369,351	34,380
Buildings	27,485,901	27,485,901
Vehicles	5,058,950	4,825,922
Equipment	6,693,408	6,614,883
Airport facilities	1,524,747	1,524,747
Other improvements	9,674,876	9,528,132
Leasehold improvements	2,590,428	2,590,428
Total governmental funds capital assets	\$ 58,980,022	\$ 58,186,754
Investment in governmental funds capital assets		
General Fund	\$ 53,572,689	\$ 52,891,785
Capital Project Funds	5,407,333	5,294,969
Total investment in governmental funds capital assets	\$ 58,980,022	\$ 58,186,754

Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity

June 30, 2013

Function and Activity	Land	Buildings	Vehicles	Equipment
General Government:				
County Administration	\$ -	\$ -	\$ -	\$ 25,802
Tax Administration	178,381	136,100	86,737	273,584
Register of Deeds	-	17,665	-	257,079
Elections	-	-	-	505,242
Information Technology	-	-	-	772,487
Public Buildings	1,518,914	7,554,613	176,773	18,230
Other	-	-	-	22,259
Total General Government	1,697,295	7,708,378	263,510	1,874,683
Public Safety:				
Law Enforcement	417,991	8,614,309	1,509,619	330,469
Emergency Services	43,000	16,850	417,369	3,225,869
Total Public Safety	460,991	8,631,159	1,926,988	3,556,338
Transportation	169,549	-	1,113,294	-
Environmental Protection	153,875	64,308	444,597	323,872
Economic and Physical Development	111,178	-	178,656	131,523
Human Services	303,776	7,248,928	850,248	494,479
Culture and Recreation	2,685,697	3,833,128	281,657	312,513
Total governmental funds capital assets	\$ 5,582,361	\$ 27,485,901	\$ 5,058,950	\$ 6,693,408

Airport Facilities	Other Improvements	Leasehold Improvements	Construction in Progress	Total
\$ -	\$ -	\$ -	\$ -	\$ 25,802
-	-	-	-	674,802
-	16,000	-	-	290,744
-	-	-	-	505,242
-	116,944	-	-	889,431
-	2,054,285	-	369,351	11,692,166
-	-	-	-	22,259
-	2,187,229	-	369,351	14,100,446
-	589,491	-	-	11,461,879
-	-	1,108,727	-	4,811,815
-	589,491	1,108,727	-	16,273,694
1,524,747	41,142	-	-	2,848,732
-	97,560	-	-	1,084,212
-	-	-	-	421,357
-	30,000	-	-	8,927,431
-	6,729,454	1,481,701	-	15,324,150
\$ 1,524,747	\$ 9,674,876	\$ 2,590,428	\$ 369,351	\$ 58,980,022

Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes by Function and Activity
Year Ended June 30, 2013

Function and Activity	Governmental Funds				Governmental Funds
	Capital Assets June 30, 2012	Additions	Deductions	Transfers	Capital Assets June 30, 2013
General Government:					
County administration	\$ 18,880	\$ 6,922	\$ -	\$ -	\$ 25,802
Tax administration	674,802	-	-	-	674,802
Register of Deeds	297,430	-	6,686	-	290,744
Elections	505,242	-	-	-	505,242
Information technology	872,919	16,512	-	-	889,431
Public buildings	11,343,778	369,351	19,202	(1,761)	11,692,166
Other	22,259	-	-	-	22,259
Total General Government	13,735,310	392,785	25,888	(1,761)	14,100,446
Public Safety:					
Law enforcement	11,366,144	197,273	55,768	(45,770)	11,461,879
Emergency services	4,730,020	127,094	19,392	(25,907)	4,811,815
Total Public Safety	16,096,164	324,367	75,160	(71,677)	16,273,694
Transportation	2,560,418	351,181	25,722	(37,145)	2,848,732
Environmental protection	1,212,157	110,110	287,645	49,590	1,084,212
Economic and physical development	385,924	-	-	35,433	421,357
Human services	8,912,295	25,718	20,161	9,579	8,927,431
Culture and recreation	15,284,486	58,063	34,380	15,981	15,324,150
Total governmental funds capital assets	\$ 58,186,754	\$ 1,262,224	\$ 468,956	\$ -	\$ 58,980,022

Other Financial Data

Other Financial Information

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

Carteret County, North Carolina

**Schedule of Ad Valorem Taxes Receivable
June 30, 2013**

Fiscal Year	Uncollected Balance June 30, 2012	Additions	Collections	Adjustments	Uncollected Balance June 30, 2013
2012-2013	\$ -	\$ 44,109,338	\$ 42,824,327	\$ (71,888)	\$ 1,213,123
2011-2012	1,322,298	-	745,586	(8,831)	567,881
2010-2011	598,657	-	223,308	11,053	386,402
2009-2010	371,624	-	119,065	4,603	257,162
2008-2009	232,969	-	56,414	4,378	180,933
2007-2008	130,055	-	27,203	3,113	105,965
2006-2007	166,884	-	14,446	1,028	153,466
2005-2006	100,958	-	3,654	(1,862)	95,442
2004-2005	38,988	-	2,889	(2,027)	34,072
2003-2004	37,391	-	2,622	(32,315)	2,454
2002-2003	8,599	-	-	-	8,599
	<u>\$ 3,008,423</u>	<u>\$ 44,109,338</u>	<u>\$ 44,019,514</u>	<u>\$ (92,748)</u>	<u>3,005,499</u>
Less write-off 2002-2003 tax year					<u>(8,599)</u>
					<u>2,996,900</u>
Less allowance for uncollectible ad valorem taxes receivable					<u>303,033</u>
Net property taxes receivable - General Fund					<u><u>\$ 2,693,867</u></u>
Reconcilement with revenue: Ad valorem taxes - General Fund					<u><u>\$ 44,019,514</u></u>

Carteret County, North Carolina

Analysis of Current Year's Tax Levy
Year Ended June 30, 2013

	County Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 15,002,685,172	0.29	\$ 43,507,787	\$ 42,396,966	\$ 1,110,821
Motor vehicles taxes at prior year's rate	200,517,000	0.30	601,551	-	601,551
Total	15,203,202,172		44,109,338	42,396,966	1,712,372
Discoveries:					
Current year taxes	327,975,172		951,128	66,311	884,817
Corrections	(2,575,517)		(7,469)	9,498	(16,967)
Total	325,399,655		943,659	75,809	867,850
Abatements	(350,188,621)		(1,015,547)	(95,830)	(919,717)
Total property valuation	\$ 15,178,413,206				
Net levy-General Fund			44,037,450	42,376,945	1,660,505
Uncollected taxes at June 30, 2013 - General Fund			1,213,123	992,496	220,627
Current year's taxes collected - General Fund			\$ 42,824,327	\$ 41,384,449	\$ 1,439,878
Current levy collection percentage - General Fund			97.25%	97.66%	86.71%



Statistical Section

Statistical Section (Unaudited)

This part of the Carteret County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends	142
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	156
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	168
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information	175
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	181
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	

Sources: Unless otherwise noted, the information included in these schedules and charts is derived for the comprehensive annual reports ("CAFR") for GASB 34 in the fiscal year ending June 30, 2013 and is provided for additional analysis purposes only and has not been verified by audit as presented.

Carteret County, North Carolina

**Net Position by Component,
Last Ten Fiscal Years
(accrual basis of accounting)**

	2004	2005	2006	2007
Governmental activities				
Net investment in capital assets	\$ 22,154,331	\$ 21,956,051	\$ 23,399,525	\$ 22,287,747
Restricted	2,568,301	3,437,892	4,154,799	7,127,547
Unrestricted	(29,121,252)	(21,493,929)	(13,945,342)	(12,037,832)
Total governmental activities net position	\$ (4,398,620)	\$ 3,900,014	\$ 13,608,982	\$ 17,377,462
Business-type activities				
Net investment in capital assets	\$ 4,392,900	\$ 3,903,915	\$ 3,630,795	\$ 3,665,231
Unrestricted	(519,099)	(110,733)	192,739	392,417
Total business-type activities	\$ 3,873,801	\$ 3,793,182	\$ 3,823,534	\$ 4,057,648
Primary government				
Net investment in capital assets	\$ 26,547,231	\$ 25,859,966	\$ 27,030,320	\$ 25,952,978
Restricted	2,568,301	3,437,892	4,154,799	7,127,547
Unrestricted	(29,640,351)	(21,604,662)	(13,752,603)	(11,645,415)
Total primary government net position	\$ (524,819)	\$ 7,693,196	\$ 17,432,516	\$ 21,435,110

Schedule 1

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 21,792,965	\$ 22,484,382	\$ 24,050,669	\$ 26,022,027	\$ 26,469,612	\$ 25,250,857
10,233,675	13,043,008	15,431,921	24,524,242	24,685,705	17,586,592
(24,226,402)	(28,471,360)	(32,695,396)	(41,158,484)	(33,049,640)	(23,716,266)
\$ 7,800,238	\$ 7,056,030	\$ 6,787,194	\$ 9,387,785	\$ 18,105,677	\$ 19,121,183
\$ 3,557,690	\$ 3,634,160	\$ 4,098,772	\$ 4,079,804	\$ 5,416,107	\$ 5,558,997
548,951	553,518	190,973	516,359	(851,225)	656,050
\$ 4,106,641	\$ 4,187,678	\$ 4,289,745	\$ 4,596,163	\$ 4,564,882	\$ 6,215,047
\$ 25,350,655	\$ 26,118,542	\$ 28,149,441	\$ 30,101,831	\$ 31,885,719	\$ 30,809,854
10,233,675	13,043,008	15,431,921	24,524,242	24,685,705	17,586,592
(23,677,451)	(27,917,842)	(32,504,423)	(40,642,125)	(33,900,865)	(23,060,216)
\$ 11,906,879	\$ 11,243,708	\$ 11,076,939	\$ 13,983,948	\$ 22,670,559	\$ 25,336,230

Carteret County, North Carolina

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

	2004	2005	2006	2007
Expenses				
Governmental activities:				
General government	\$ 3,700,481	\$ 4,759,100	\$ 4,996,540	\$ 6,133,328
Public safety	11,636,799	12,715,313	13,459,003	14,263,740
Transportation	669,794	690,254	710,225	979,342
Economic and physical development	4,271,109	6,274,478	5,571,720	5,543,270
Environmental protection	2,964,017	2,565,112	3,362,113	2,916,754
Human Services	14,105,489	14,295,871	14,971,013	15,939,574
Cultural and recreation	4,260,435	2,461,256	2,910,221	2,990,410
Education	27,615,077	21,085,306	21,224,743	30,048,298
Interest on long term debt	3,153,395	2,373,932	2,281,034	2,934,102
Total governmental activities	72,376,596	67,220,622	69,486,612	81,748,818
Business-type activities:				
Water	394,360	420,599	607,483	728,319
Total primary government expenses	\$ 72,770,956	\$ 67,641,221	\$ 70,094,095	\$ 82,477,137

(Continued)

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 6,254,064	\$ 6,558,268	\$ 6,369,989	\$ 6,290,765	\$ 5,926,629	\$ 5,946,901
16,381,281	16,599,129	16,919,404	19,094,741	17,566,816	18,335,600
892,718	858,784	907,113	1,107,365	1,288,106	2,447,821
4,848,724	5,207,919	4,469,445	4,925,627	6,917,827	12,020,756
2,914,590	3,105,363	3,130,735	3,274,042	4,032,723	3,150,593
16,656,957	16,302,247	15,071,578	15,713,990	15,880,099	15,277,891
3,355,687	3,182,526	4,198,808	2,108,234	3,469,307	3,485,610
47,189,262	35,465,104	31,982,375	28,623,466	25,368,980	25,364,930
3,690,063	3,493,485	3,197,911	3,087,406	2,794,930	2,095,322
102,183,346	90,772,825	86,247,358	84,225,636	83,245,417	88,125,424
813,171	934,919	798,432	849,324	815,298	909,307
\$ 102,996,517	\$ 91,707,744	\$ 87,045,790	\$ 85,074,960	\$ 84,060,715	\$ 89,034,731

Carteret County, North Carolina

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

	2004	2005	2006	2007
Program Revenues				
Governmental activities				
Charges for services:				
General government	\$ 1,753,299	\$ 2,480,824	\$ 3,328,301	\$ 2,136,825
Public safety	1,017,748	314,680	227,728	197,975
Transportation	86,426	74,164	86,527	93,686
Economic and physical development	9,323	659,399	832,350	909,245
Environmental protection	1,279,272	1,305,582	2,136,283	2,209,037
Human services	476,032	417,154	557,621	616,532
Cultural and recreation	181,048	220,576	238,638	287,314
Interest on long term debt	-	-	-	-
Operating grants and contributions:				
General government	-	436,969	234,518	375,440
Public safety	429,368	644,075	795,183	414,350
Transportation	181,118	154,036	268,667	377,847
Economic and physical development	144,564	1,966,971	256,175	1,394,075
Environmental protection	752,852	52,000	573,220	-
Human services	6,617,017	7,115,185	6,975,699	7,595,165
Cultural and recreation	25,893	17,675	-	1,680
Education	416,606	470,259	506,611	160,871
Interest on long term debt	-	-	-	850,000
Capital grants and contributions:				
Public safety	-	-	191,221	-
Transportation	96,365	-	143,313	-
Economic and physical development	2,203,754	-	508,607	-
Human services	-	-	-	-
Cultural and recreation	-	-	48,641	-
Education	-	-	-	-
Total governmental activities program revenues	15,670,685	16,329,549	17,909,303	17,620,042

(Continued)

Fiscal Year											
2008		2009		2010		2011		2012		2013	
\$	1,917,552	\$	1,561,770	\$	1,477,628	\$	1,486,751	\$	1,642,152	\$	1,638,250
	232,885		174,213		162,804		186,134		173,546		308,908
	86,039		95,664		125,360		327,244		225,239		184,316
	650,171		414,507		435,466		511,550		575,489		611,160
	2,229,849		2,247,269		2,243,091		2,214,925		2,189,986		2,198,355
	564,816		415,474		382,602		330,817		346,126		334,799
	222,019		203,376		213,789		238,376		277,774		252,227
	-		-		-		-		-		-
	52,670		68,319		38,218		-		5,465		22,592
	736,971		1,408,259		1,264,069		1,725,254		1,438,146		1,067,750
	315,952		389,394		403,443		162,064		352,943		525,199
	82,939		848,310		665,788		129,447		889,989		1,103,253
	342,511		16,114		22,176		15,542		859,246		3,885
	8,637,735		8,402,963		8,494,321		9,274,540		9,074,506		9,652,900
	1,165		-		7,365		3,242		405		1,280
	290,335		136,401		148,415		255,946		53,241		71,025
	850,000		1,377,380		700,000		800,000		988,351		965,660
	-		-		-		57,660		26,169		-
	63,694		-		-		251,957		2,400		305,185
	-		158,668		-		-		354,984		-
	-		-		-		-		-		-
	-		1,134,485		236,993		194,693		111,784		-
	-		387,070		-		-		87,984		-
	17,277,303		19,439,636		17,021,528		18,166,142		19,675,925		19,246,744

Carteret County, North Carolina

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

	2004	2005	2006	2007
Business-type activities:				
Charge for services - Water	\$ 147,314	\$ 264,634	\$ 361,888	\$ 493,342
Operating Grants and Contributions	28,476	-	-	-
Capital grants and contributions - Water	-	925	-	146,065
Total business-type activities program revenues	175,790	265,559	361,888	639,407
Total primary government program revenues	\$ 15,846,475	\$ 16,595,108	\$ 18,271,191	\$ 18,259,449
Governmental activities	\$ (56,705,911)	\$ (50,891,073)	\$ (51,577,309)	\$ (64,128,776)
Business-type activities	(218,570)	(155,040)	(245,595)	(88,912)
Total primary government net (expense)/revenue	\$ (56,924,481)	\$ (51,046,113)	\$ (51,822,904)	\$ (64,217,688)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	\$ 36,025,572	\$ 37,240,867	\$ 38,994,213	\$ 42,377,566
Local option sales tax	13,105,353	14,334,170	14,303,322	16,794,865
Other taxes and licenses	3,862,177	4,494,502	6,730,679	5,276,663
Intergovernmental	503,661	155,208	164,954	397,918
Investment earnings	266,890	612,987	1,302,511	3,196,255
Miscellaneous	311,959	2,422,594	1,538	142,989
Transfers	(70,000)	(70,621)	(210,940)	(289,000)
Total governmental activities	54,005,612	59,189,707	61,286,277	67,897,256
Business-type activities:				
Investment earnings	601	3,800	8,924	23,451
Intergovernmental, unrestricted	-	-	56,084	10,574
Transfers	70,000	70,621	210,940	289,000
Total business-type activities	70,601	74,421	275,948	323,025
Total primary government	\$ 54,076,213	\$ 59,264,128	\$ 61,562,225	\$ 68,220,281
Change in Net Position				
Governmental activities	\$ (2,700,299)	\$ 8,298,634	\$ 9,708,968	\$ 3,768,480
Business-type activities	(147,969)	(80,619)	30,353	234,113
Total primary government	\$ (2,848,268)	\$ 8,218,015	\$ 9,739,321	\$ 4,002,593

Fiscal Year		2008		2009		2010		2011		2012		2013	
\$	550,256	\$	573,359	\$	564,172	\$	457,668	\$	526,067	\$	575,338		
	-		-		-		-		-		-		-
	-		167,757		115,605		384,395		3,618		1,751,350		
	550,256		741,116		679,777		842,063		529,685		2,326,688		
\$	17,827,559	\$	20,180,752	\$	17,701,305	\$	19,008,205	\$	20,205,610	\$	21,573,432		
\$	(84,906,043)	\$	(71,333,189)	\$	(69,225,830)	\$	(66,059,494)	\$	(63,569,492)	\$	(68,878,680)		
	(262,915)		(193,803)		(118,655)		(7,261)		(285,613)		1,417,381		
\$	(85,168,958)	\$	(71,526,992)	\$	(69,344,485)	\$	(66,066,755)	\$	(63,855,105)	\$	(67,461,299)		
\$	48,592,344	\$	50,175,809	\$	50,528,632	\$	51,159,340	\$	51,442,461	\$	50,250,954		
	17,531,935		14,210,399		12,277,230		12,051,519		12,895,813		13,718,008		
	5,415,909		4,542,881		4,398,904		4,595,602		4,748,326		4,615,833		
	665,684		263,104		462,860		677,029		780,738		793,818		
	3,310,752		1,593,849		790,705		401,788		539,146		(69,957)		
	90,195		60,939		703,663		79,807		2,125,900		142,562		
	(278,000)		(258,000)		(205,000)		(305,000)		(245,000)		(231,565)		
	75,328,819		70,588,981		68,956,994		68,660,085		72,287,384		69,219,653		
	33,908		16,840		15,722		8,679		9,332		1,219		
	-		-		-		-		-		-		
	278,000		258,000		205,000		305,000		245,000		231,565		
	311,908		274,840		220,722		313,679		254,332		232,784		
\$	75,640,727	\$	70,863,821	\$	69,177,716	\$	68,973,764	\$	72,541,716	\$	69,452,437		
\$	(9,577,224)	\$	(744,208)	\$	(268,836)	\$	2,600,591	\$	8,717,892	\$	340,973		
	48,993		81,037		102,067		306,418		(31,281)		1,650,165		
\$	(9,528,231)	\$	(663,171)	\$	(166,769)	\$	2,907,009	\$	8,686,611	\$	1,991,138		

Carteret County, North Carolina

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

	2004	2005	2006
General Fund			
Reserved for:			
State statute	\$ 4,559,818	\$ 5,407,652	\$ 5,245,544
Prepaid items	-	-	-
Sheriff's fund	35,085	49,755	24,161
Debt Service	-	-	-
Recreation districts	61,462	62,739	55,053
Health programs	863,342	934,948	1,081,508
Register of deeds	167,528	113,478	190,045
Beach nourishment	890,063	1,340,869	2,040,923
Total reserve	6,577,298	7,909,441	8,637,234
Unreserved:			
Designated for subsequent year's expenditures	694,536	1,230,000	825,000
Undesignated	12,054,667	14,115,874	18,814,243
Total General Fund	\$ 19,326,501	\$ 23,255,315	\$ 28,276,477
All Other Governmental Funds			
Reserved for:			
State statute	\$ 1,015,324	\$ 1,301,271	\$ -
E911 wireless	-	-	-
Special districts	-	-	-
	1,015,324	1,301,271	-
Unreserved:			
Designated for subsequent year's expenditures	3,142,539	310,643	22,877,167
Undesignated special revenue funds	(672,314)	(740,779)	614,664
Undesignated capital projects funds	1,681,975	1,883,349	1,418,615
Total all other governmental funds	\$ 5,167,524	\$ 2,754,484	\$ 24,910,446

Schedule 3
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Fiscal Year			
2007	2008	2009	2010
\$ 5,441,376	\$ 6,058,268	\$ 6,537,961	\$ 5,668,864
-	92,056	-	-
39,116	61,376	120,361	84,052
-	-	-	-
88,593	88,665	89,129	89,129
1,177,309	1,135,530	973,892	907,160
251,440	293,368	325,898	274,802
4,023,290	5,996,954	7,665,277	9,550,285
11,021,124	13,726,217	15,712,518	16,574,292
155,000	720,000	-	307,505
21,917,920	23,152,988	23,791,470	25,445,763
\$ 33,094,044	\$ 37,599,205	\$ 39,503,988	\$ 42,327,560
\$ -	\$ -	\$ -	\$ -
741,702	-	-	-
410,542	1,147,999	1,809,004	2,430,758
1,152,244	1,147,999	1,809,004	2,430,758
36,035,398	19,382,507	12,882,665	1,906,995
371,947	1,006,822	1,405,876	948,533
3,650,440	4,891,288	3,473,937	4,280,372
\$ 41,210,029	\$ 26,428,616	\$ 19,571,482	\$ 9,566,658



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

	Fiscal Year		
	2011	2012	2013
General Fund			
Restricted:			
Stabilization by state statute	\$ 8,696,639	\$ 7,544,942	\$ 5,614,618
Sheriff's fund	264,217	277,168	403,907
Recreation districts	94,790	102,739	102,739
Health programs	931,719	919,286	812,855
Register of deeds	311,834	341,557	383,149
Beach nourishment	10,455,564	11,102,845	5,723,261
Total restricted	20,754,763	20,288,537	13,040,529
Assigned:			
Subsequent year's expenditures	908,485	1,441,215	1,000,000
Unassigned:	21,762,773	25,101,604	30,527,492
Total General Fund	\$ 43,426,021	\$ 46,831,356	\$ 44,568,021
All Other Governmental Funds			
Restricted:			
Public safety	\$ 401,499	\$ 594,250	\$ 766,750
Rescue protection	1,150,690	1,386,031	1,150,716
Fire protection	1,734,943	2,002,963	1,601,729
School capital	2,735,522	1,958,941	12,114
Economic development	751,509	896,556	1,041,645
Total restricted	6,774,163	6,838,741	4,572,954
Committed:			
Economic development	721,756	728,994	729,674
County capital	-	-	500,000
School capital	432,914	543,229	1,540,719
Assigned:			
Subsequent year's expenditures	161,271	101,360	779,040
County capital	1,675,102	1,308,319	1,083,346
Unassigned:			
Special revenue funds	(680,935)	(786,060)	(855,743)
Capital projects funds	-	-	-
Total all other governmental funds	\$ 9,084,271	\$ 8,734,583	\$ 8,349,990

Note: The County made the option to adopt GASB 54 fund balance presentation prospectively.

Carteret County, North Carolina

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

	2004	2005	2006	2007
Revenues				
Taxes:				
Property	\$ 36,273,316	\$ 37,171,758	\$ 38,995,144	\$ 42,487,337
Sales and other taxes	17,090,746	18,828,672	21,034,001	22,071,528
Total taxes	53,364,062	56,000,430	60,029,145	64,558,865
Permits and fees	2,618,847	3,093,945	4,164,371	3,633,685
Intergovernmental	11,673,902	11,337,622	10,666,809	11,567,346
Sales and services	1,862,663	1,742,529	2,589,990	2,566,066
Interest	266,890	612,987	1,302,510	3,196,255
Miscellaneous	223,359	379,277	698,189	350,904
Total revenues	70,009,723	73,166,790	79,451,014	85,873,121
Expenditures				
General government	3,438,530	4,190,354	4,898,195	5,312,246
Public safety	11,294,641	12,472,725	13,422,324	13,947,141
Transportation	579,790	493,593	736,491	847,387
Environmental protection	2,958,295	2,744,907	3,404,122	2,891,843
Economic development	4,238,767	4,815,319	5,585,495	4,334,443
Human services	13,719,420	14,094,168	14,659,109	15,696,967
Culture and recreation	2,007,580	2,240,196	2,548,009	2,737,147
Education	17,976,423	18,699,023	18,870,730	20,196,594
Capital outlay	12,112,063	5,161,345	3,836,951	11,289,414
Debt service:				
Principal	4,706,571	4,316,572	4,175,000	4,785,000
Interest	2,659,162	2,352,193	2,161,065	2,954,302
Total expenditures	75,691,242	71,580,395	74,297,491	84,992,484
Excess (deficiency) of of revenues over (under) expenditures	(5,681,519)	1,586,395	5,153,523	880,637
Other financing sources (uses):				
Transfers in	3,415,367	2,539,943	4,477,917	6,502,225
Transfers out	(3,485,367)	(2,610,564)	(4,688,857)	(6,791,225)
Proceeds from sale of capital assets	-	-	-	-
Bond premium	-	-	365,126	94,928
Bonds issued	-	-	22,000,000	20,300,000
Refunding bonds issued	21,215,898	-	-	-
Payment to refunding escrow agent	(21,079,633)	-	-	-
Proceeds from installment note	-	-	-	-
Total other financing sources (uses)	66,265	(70,621)	22,154,186	20,105,928
Net change in fund balance	\$ (5,615,254)	\$ 1,515,774	\$ 27,307,709	\$ 20,986,565
Debt service as a percentage of noncapital expenditures	9.85%	9.54%	8.91%	9.18%

Schedule 4

	2008	2009	2010	2011	2012	2013
\$	48,720,636	\$ 49,678,930	\$ 50,200,352	\$ 50,519,817	\$ 51,069,950	\$ 50,110,266
	22,947,844	18,753,280	16,676,134	16,647,121	17,644,139	18,333,841
	71,668,480	68,432,210	66,876,486	67,166,938	68,714,089	68,444,107
	3,079,055	2,484,066	2,355,405	2,407,908	2,590,236	2,781,510
	12,039,656	14,544,225	12,341,283	13,642,310	15,026,351	14,512,547
	2,650,004	2,605,889	2,681,926	2,710,406	2,840,076	2,746,505
	3,310,752	1,593,849	790,705	401,788	539,146	(69,957)
	267,994	149,586	156,290	164,968	211,118	118,669
	93,015,941	89,809,825	85,202,095	86,494,318	89,921,016	88,533,381
	5,745,169	5,821,968	5,852,801	5,710,894	5,402,432	5,697,525
	16,132,558	16,424,222	16,291,686	18,135,931	16,863,612	17,548,136
	858,646	941,321	781,852	952,210	1,159,848	2,658,305
	2,900,884	3,070,121	3,104,110	3,189,081	4,014,786	3,104,387
	4,959,166	5,189,267	4,441,078	4,889,167	6,862,298	5,782,737
	16,391,072	15,774,335	14,618,041	15,221,814	15,598,191	14,814,576
	3,013,274	2,685,231	2,632,473	1,590,158	2,774,024	2,889,936
	21,556,439	22,851,145	21,888,541	28,623,466	22,306,178	21,265,441
	26,052,502	15,564,833	13,242,438	3,505,755	3,689,741	10,484,171
	5,922,857	13,243,078	6,217,427	6,465,073	6,615,517	6,174,180
	3,568,542	4,077,579	3,188,650	2,943,555	2,883,139	2,558,945
	107,101,109	105,643,100	92,259,097	91,227,104	88,169,766	92,978,339
	(14,085,168)	(15,833,275)	(7,057,002)	(4,732,786)	1,751,250	(4,444,958)
	9,407,194	4,652,822	4,567,901	4,773,110	4,218,376	11,921,740
	(9,408,499)	(4,910,822)	(4,772,901)	(5,078,110)	(4,463,376)	(12,153,305)
	-	-	80,750	5,653,860	1,531,514	2,000,000
	-	-	-	-	-	2,624,435
	-	-	-	-	-	-
	-	-	-	-	10,029,942	12,700,000
	-	-	-	-	(10,012,059)	(15,077,852)
	3,810,221	11,138,924	-	-	-	-
	3,808,916	10,880,924	(124,250)	5,348,860	1,304,397	2,015,018
\$	(10,276,252)	\$ (4,952,351)	\$ (7,181,252)	\$ 616,074	\$ 3,055,647	\$ (2,429,940)
	8.96%	17.02%	10.53%	10.73%	10.92%	9.52%

Carteret County, North Carolina

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

Fiscal Year Ended June 30	Real Property				Total
	Residential Property	Commercial Property	Industrial Property	Present-use Value (1)	
2004 ⁽¹⁾⁽⁵⁾	\$ 6,842,280,986	\$ -	\$ -	\$ -	\$ 6,842,280,986
2005	6,295,378,065	669,099,255	12,308,209	41,848,004	7,018,633,533
2006	6,414,514,407	712,215,743	22,227,041	40,978,359	7,189,935,550
2007	5,993,578,505	1,675,786,250	246,148,708	42,108,553	7,957,622,016
2008 ⁽⁶⁾	15,997,721,971	1,432,073,317	37,881,139	72,565,474	17,540,241,901
2009	16,851,863,536	1,439,131,806	56,477,589	72,487,688	18,419,960,619
2010	16,549,686,285	1,512,887,462	38,970,411	61,707,853	18,163,252,011
2011	16,534,261,525	1,571,423,205	36,106,300	69,952,621	18,211,743,651
2012 ⁽⁶⁾	12,615,264,192	1,271,552,597	27,011,645	68,607,085	13,982,435,519
2013	12,928,563,319	1,021,551,269	34,868,391	68,507,500	14,053,490,479

Source:

- (1) Present use value property is agricultural, horticultural and forestland for which the owner has applied for the property to be taxed at its present use. The difference in taxes on the present use basis and the taxes that would have been payable are a lien on the property and are deferred. The taxes become due if the property ceases to qualify for present use value. The preceding three fiscal years taxes are then required to be paid.
- (2) Public service companies valuations are provided to the County by the North Carolina Department of Revenue. These amounts include both real and personal property.
- (3) Per \$100 of value.
- (4) The estimated market value is calculated by dividing the assessed value by an assessment-to-sales ratio determined by the North Carolina Department of Revenue. The ratio is based on actual property sales which took place during the fiscal year.
- (5) Breakout of real property is unavailable
- (6) Revaluation Years

Schedule 5

Personal Property	Public Service Companies (2)	Total Assessed Valuation	Total Direct Tax Rate (3)	Estimated Actual Taxable Value (4)
\$ 711,166,262	\$ 99,064,090	\$ 7,652,511,338	0.42	\$ 8,277,459,533
747,563,922	99,766,355	7,865,963,810	0.42	9,081,001,859
915,126,779	84,739,347	8,189,801,676	0.42	10,528,090,598
572,630,759	88,997,177	8,619,249,952	0.44	14,260,837,114
953,369,547	126,877,222	18,620,488,670	0.23	18,923,260,843
473,475,911	135,389,122	19,028,825,652	0.23	17,778,631,807
847,540,430	143,635,821	19,154,428,262	0.23	16,731,393,087
935,669,710	140,251,857	19,287,665,218	0.23	15,091,511,700
952,555,055	137,116,774	15,072,107,348	0.30	15,072,107,348
990,156,693	134,766,034	15,178,413,206	0.29	15,178,413,206



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

Fiscal Year	Carteret County Operating Mileage	Overlapping Rates ¹		Total Direct and Overlapping Rates
		Operating Mileage	Special Districts	
2004	0.4200	2.2950	3.7600	6.4750
2005	0.4200	2.2350	3.5025	6.1575
2006	0.4200	2.2350	3.3175	5.9725
2007	0.4400	2.2350	4.3225	6.9975
2008	0.2300	1.3420	1.8121	3.3841
2009	0.2300	1.4550	1.8040	3.4890
2010	0.2300	1.4950	1.9090	3.6340
2011	0.2300	1.5400	1.9640	3.7340
2012	0.3000	1.8880	2.0560	4.2440
2013	0.2900	1.9180	1.9985	4.2065

Source: Carteret County Tax Department

¹ Overlapping rates are those of municipal governments and special districts that apply to property owners within the County. Not all overlapping rates apply to all County property owners (e.g., the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district).

The following table provides the detail of the municipalities and special taxing districts for 10 years.

Carteret County, North Carolina

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

	2004	2005	2006	2007
Carteret County	0.4200	0.4200	0.4200	0.4400
Municipalities				
Atlantic Beach	0.2300	0.2300	0.2300	0.2600
Beaufort	0.3600	0.3800	0.3800	0.3800
Bogue	0.0500	0.0500	0.0500	0.0500
Cape Carteret	0.2300	0.2300	0.2300	0.2300
Cedar Point	0.0500	0.0500	0.0500	0.0500
Emerald Isle	0.1750	0.1650	0.1550	0.1550
Indian Beach	0.1600	0.0900	0.1000	0.1000
Morehead City	0.3800	0.3800	0.3800	0.3800
Newport	0.4300	0.4300	0.4300	0.4000
Pelletier	0.0500	0.0500	0.0500	0.0500
Pine Knoll Shores	0.1800	0.1800	0.1800	0.1800
Fire Districts				
Atlantic	0.0650	0.0650	0.0650	0.0650
Beaufort	0.0600	0.0600	0.0700	0.0550
Broad & Gales Creek	0.0400	0.0400	0.0400	0.0550
Cedar Island	0.1000	0.1000	0.1000	0.1000
Davis	0.1000	0.1000	0.1000	0.1000
Harkers Island	0.0600	0.0600	0.0600	0.0600
Harlowe	0.0550	0.0550	0.0550	0.0550
Marshallberg	0.0700	0.0700	0.0700	0.0700
Mill Creek	0.0550	0.0550	0.0550	0.0550
Mitchell Village	0.0800	0.0800	0.0800	0.0800
Newport	0.0800	0.0800	0.0800	0.0800
North River	0.0750	0.0750	0.0750	0.0750
Otway	0.0400	0.0400	0.0400	0.0400
Salter Path	0.0500	0.0500	0.0600	0.0700
Sea Level	0.1000	0.1000	0.1000	0.1000
South River/ Merrimon	0.0700	0.0700	0.0700	0.0700
Stacy	0.0800	0.0800	0.0800	0.0800
Stella	0.0500	0.0500	0.0500	0.0500
Western Carteret	0.0700	0.0700	0.0700	0.0700
Wildwood	0.0750	0.0950	0.0950	0.0950

(Continued)

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2008	2009	2010	2011	2012	2013
0.2300	0.2300	0.2300	0.2300	0.3000	0.2900
0.1500	0.1250	0.1250	0.1250	0.1700	0.1700
0.1900	0.2200	0.2200	0.2200	0.2600	0.3000
0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
0.1550	0.1550	0.1400	0.1400	0.1625	0.1525
0.0500	0.0500	0.0550	0.0550	0.0625	0.0625
0.0670	0.0700	0.0700	0.0800	0.1150	0.1150
0.0600	0.1100	0.1400	0.1500	0.2150	0.2150
0.2200	0.2200	0.2200	0.2200	0.2850	0.2850
0.2700	0.2900	0.3100	0.3300	0.3570	0.3570
0.0500	0.0500	0.0500	0.0550	0.0550	0.0550
0.0800	0.1150	0.1150	0.1150	0.1560	0.1560
0.0700	0.0700	0.0700	0.0700	0.0700	0.0700
0.0300	0.0350	0.0350	0.0550	0.0550	0.0550
0.0450	0.0450	0.0450	0.0300	0.0300	0.0300
0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
0.0850	0.0900	0.0900	0.0850	0.0850	0.0850
0.0400	0.0400	0.0650	0.0700	0.0800	0.0800
0.0450	0.0450	0.0550	0.0600	0.0750	0.0750
0.0850	0.0850	0.0800	0.0900	0.0900	0.0900
0.0450	0.0450	0.0450	0.0450	0.0450	0.0450
0.0900	0.0750	0.0750	0.0750	0.0750	0.0650
0.0400	0.0700	0.0700	0.0700	0.0700	0.0700
0.0450	0.0450	0.0900	0.0900	0.0900	0.0900
0.0250	0.0500	0.0500	0.0500	0.0550	0.0550
0.0300	0.0300	0.0300	0.0300	0.0500	0.0600
0.1000	0.1000	0.1000	0.1000	0.0950	0.0950
0.0550	0.0350	0.0600	0.0600	0.0600	0.0600
0.0600	0.0700	0.0700	0.0850	0.0850	0.0850
0.0250	0.0200	0.0250	0.0400	0.0400	0.0400
0.0400	0.0400	0.0400	0.0400	0.0400	0.0400
0.0450	0.0600	0.0600	0.0650	0.0850	0.0850

Carteret County, North Carolina

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

	2004	2005	2006	2007
Rescue Districts				
Beaufort	0.0550	0.0550	0.0550	0.0600
Broad & Gales Creek	0.0450	0.0550	0.0750	0.0750
Mill Creek	0.0200	0.0200	0.0200	0.0200
Mitchell Village	0.0400	0.0400	0.0400	0.0400
Otway	0.0550	0.0550	0.0550	0.0550
Sea Level	0.1700	0.1675	0.1675	0.1675
Western Carteret	0.0500	0.0550	0.0500	0.0500
Beach Nourishment Districts				
Salter Path	0.4300	0.4300	0.4300	0.4300
Indian Beach Non Ocean Front	0.0500	0.0200	0.0200	0.0200
Indian Beach Ocean Front	0.4800	0.2200	0.2200	0.3200
Emerald Isle Non Ocean Front	0.0300	0.0300	0.0300	0.1850
Emerald Isle Ocean Front	0.4800	0.4800	0.4800	0.6350
Pine Knoll Shores Ocean Front	0.4200	0.4200	0.0600	0.6000
Pine Knoll Shores Non Ocean Front	0.0600	0.0600	0.2000	0.2400
Water Districts				
County Water District ¹	-	-	-	-

Source: Carteret County Tax Department

Notes:

¹First Year Tax District 2012

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2008	2009	2010	2011	2012	2013
0.0250	0.0400	0.0450	0.0450	0.0500	0.0500
0.0350	0.0350	0.0300	0.0300	0.0300	0.0300
0.0450	0.0450	0.0450	0.0450	0.0450	0.0450
0.0250	0.0400	0.0400	0.0400	0.0400	0.0300
0.0300	0.0300	0.0300	0.0300	0.0300	0.0300
0.1200	0.1200	0.1200	0.1200	0.0800	0.0600
0.0300	0.0300	0.0300	0.0300	0.0300	0.0300
-	-	-	-	0.1500	0.0500
0.0200	0.0100	0.0100	0.0100	0.0100	0.0325
0.0100	0.0100	0.0100	0.0100	0.0350	0.0850
0.0110	0.0110	0.0110	0.0110	0.0150	0.0150
0.1620	0.1620	0.1620	0.1620	0.0450	0.0450
0.0264	0.0160	0.0160	0.0160	0.0140	0.0140
0.1727	0.1050	0.1050	0.1050	0.0520	0.0520
-	-	-	-	0.0550	0.0550



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

Name of Taxpayer	Type of Enterprise	Fiscal Year 2013			Fiscal Year 2004		
		Assessed Valuation	Rank	Percent of Total Assessed Valuation	Assessed Valuation	Rank	Percent of Total Assessed Valuation
Carteret Craven Electric	Utility	111,421,837	1	0.734%	32,533,299	1	0.43%
Progress Energy	Utility	77,264,016	2	0.509%	29,590,874	2	0.39%
Open Grounds Farm, Inc.	Farm	67,285,969	3	0.443%	29,265,711	4	0.39%
Carolina Telephone	Utility	43,902,554	4	0.289%	29,324,853	3	0.39%
ITAC 192 LLC	Real Estate	43,031,818	5	0.284%	-	-	-
Goose Creek Landing HOA	Real Estate	33,372,126	6	0.220%	-	-	-
RBC Real Estate Finance I	Real Estate	21,233,696	7	0.140%	-	-	-
Atlantic Veneer Corp	Manufacturing	20,679,330	8	0.136%	15,267,451	6	0.20%
Time Warner Entertainment	Utility	18,973,186	9	0.125%	-	-	-
Indian Beach Acquisition LLC	Real Estate	6,860,000	10	0.045%	-	-	-
USPG Portfolia One LLC	Retail	-	-	-	12,554,696	7	0.17%
Atlantic Beach Hotel Limited	Hotel	-	-	-	15,953,035	5	0.21%
RPM Partners, Paxon Holz	Real Estate	-	-	-	12,183,402	8	0.16%
Wal-Mart Stores East Inc	Retail	-	-	-	11,815,034	10	0.18%
Weyerhaeuser Company	Real Estate	-	-	-	12,042,031	9	0.16%
		\$ 444,024,532		2.925%	\$ 200,530,386		2.680%

Source: Carteret County Tax Department

Carteret County, North Carolina

**Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments	Collected Within the Fiscal Year of the Levy		
			Total Tax Levy (1)(2)	Amount	Percentage of Levy
2004	\$ 32,194,055	\$ (85,005)	\$ 32,109,050	\$ 31,217,821	97.22%
2005	33,055,434	(19,796)	33,035,638	32,055,875	97.03%
2006	34,299,028	97,507	34,396,535	33,517,698	97.44%
2007	37,997,380	(93,863)	37,903,517	36,909,457	97.43%
2008	43,386,701	(117,929)	43,268,772	42,240,730	97.65%
2009	43,880,900	(101,929)	43,778,971	42,486,645	97.08%
2010	44,158,178	(117,076)	44,041,102	42,758,524	97.06%
2011	44,397,414	(17,807)	44,379,607	43,043,486	97.03%
2012	45,203,707	(131,697)	45,080,841	43,758,543	97.07%
2013	44,109,338	(71,888)	44,037,450	42,824,327	97.25%

Notes:

(1) Includes General Fund

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

Schedule 9

Total Collections to Date			
	Collections of		Percentage
	Subsequent Years	Amount	of Levy
\$	900,103	\$ 32,117,924	100.03%
	963,464	33,019,339	99.95%
	803,020	34,320,718	99.78%
	890,647	37,800,104	99.73%
	842,040	43,082,770	99.57%
	1,024,145	43,510,790	99.39%
	1,007,425	43,765,949	99.38%
	949,719	43,993,205	99.13%
	745,586	44,504,129	98.72%
	-	42,824,327	97.25%

Carteret County, North Carolina

**Ratios of Outstanding Debt by Type,
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities			Business Activity	
	General Obligation Bonds	Certificates of Participation	Installment Loans	Installment Loans	
2004	\$ 29,695,000	\$ 22,240,000	\$ 2,516,572	\$ 589,608	
2005	27,650,000	20,545,000	2,100,000	2,980,303	
2006	47,605,000	18,715,000	1,800,000	3,328,720	
2007	63,220,000	16,915,000	3,500,000	3,156,512	
2008	59,550,000	15,605,000	6,367,364	2,985,480	
2009	55,920,000	7,045,000	16,453,210	2,814,448	
2010	52,330,000	5,735,000	15,135,783	2,643,416	
2011	48,745,000	5,155,000	18,489,570	2,472,384	
2012	45,100,000	4,660,000	16,099,052	2,301,352	
2013	40,605,000	4,040,000	14,339,872	2,130,320	

* Information not yet available

Notes:

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

(1) See Schedule 13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Personal income not available to calculate fiscal years 2012 and 2013.

Schedule 10

Bond		Revenue		Total	Per	Percentage	
Anticipation		Bonds		Primary	Capita (1)	of Personal	
Notes				Government		Income (1)	
\$	-	\$	-	\$	55,041,180	\$ 909	3.05%
	-		-		53,275,303	872	2.74%
	-		-		71,448,720	1,138	3.52%
	-		-		86,791,512	1,367	4.01%
	-		-		84,507,844	1,335	3.52%
	-		-		82,232,658	1,294	3.32%
	-		-		75,844,199	1,183	2.94%
	1,046,000		-		75,907,954	1,184	2.88%
	1,046,000		-		69,206,404	1,064	*
	-		1,046,000		62,161,192	918	*



**Ratios of Net General Bonded Debt Outstanding,
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Net General Obligation Bonded Debt	Assessed Value	Percentage of Actual Taxable Value of Property	Percentage of Personal Income	Population (1)	Net General Obligation Bonded Debt Per Capita
2004	\$ 29,695,000	\$ 7,652,511,338	0.39%	1.65%	60,574	\$ 490.23
2005	27,650,000	7,865,963,810	0.35%	1.42%	61,112	452.37
2006	47,605,000	8,189,801,676	0.58%	2.35%	62,760	758.52
2007	63,220,000	8,619,249,952	0.73%	2.92%	63,511	995.42
2008	59,550,000	18,620,488,670	0.32%	2.48%	63,294	940.85
2009	55,920,000	19,028,825,652	0.29%	2.26%	63,535	880.14
2010	52,330,000	19,154,428,262	0.27%	2.03%	64,107	816.29
2011	48,745,000	19,287,665,218	0.25%	1.85%	65,050	749.35
2012	45,100,000	15,072,107,348	0.30%	*	67,696	666.21
2013	40,605,000	15,178,413,206	0.27%	*	68,645	591.52

Notes:

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

(1) NC Office of State Planning

*Personal income not available to calculate fiscal years 2012 and 2013

Carteret County, North Carolina

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

	2004	2005	2006	2007
Assessed values of property	\$ 7,652,511,388	\$ 7,865,963,810	\$ 8,189,801,676	\$ 8,619,249,952
Debt limit 8% of assessed value	612,200,911	629,277,105	655,184,134	689,539,996
Gross debt:				
Total bonded debt	52,095,000	48,195,000	66,320,000	80,135,000
Installment debt	2,516,572	2,100,000	1,800,000	3,500,000
Authorized unissued bonded debt	-	-	28,010,000	9,710,000
Total amount of debt applicable to debt limit	54,611,572	50,295,000	96,130,000	93,345,000
Legal debt margin	\$ 557,589,339	\$ 578,982,105	\$ 559,054,134	\$ 596,194,996
Total net debt applicable to the limit as a percentage of debt limit	8.92%	7.99%	14.67%	13.54%

Schedule 12

2008	2009	2010	2011	2012	2013
\$ 18,620,488,670	\$ 19,028,825,652	\$ 19,154,428,262	\$ 19,287,665,218	\$ 15,072,107,348	\$ 15,178,413,206
1,489,639,094	1,522,306,052	1,532,354,261	1,543,013,217	1,205,768,588	1,214,273,056
75,155,000	62,965,000	58,065,000	53,900,000	49,760,000	44,645,000
6,367,364	16,453,210	15,135,783	18,489,570	16,099,052	14,339,872
9,710,000	9,710,000	9,710,000	9,710,000	9,710,000	9,710,000
91,232,364	89,128,210	82,910,783	82,099,570	75,569,052	68,694,872
\$ 1,398,406,730	\$ 1,433,177,842	\$ 1,449,443,478	\$ 1,460,913,647	\$ 1,130,199,536	\$ 1,145,578,184
6.12%	5.85%	5.41%	5.32%	6.27%	5.66%

**Computation of Direct and Overlapping Debt
Governmental Activities Debt
June 30, 2013**

	Outstanding Debt	Percent Applicable to County	Amount Applicable to County
Direct			
Carteret County (1)	\$ 58,984,872	100.00%	\$ 58,984,872
Overlapping			
Town of Newport (2)	2,170,685	100.00%	2,170,685
Town of Pine Knoll Shores (2)	3,629,000	100.00%	3,629,000
Subtotal overlapping debt	<u>5,799,685</u>		<u>5,799,685</u>
Total direct and overlapping debt	<u>\$ 64,784,557</u>		<u>\$ 64,784,557</u>

Data Sources:

- (1) County's debt records
- (2) Municipal finance departments

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the County. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the County. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (2) (in thousands)	Per Capita Personal Income (2)	Unemployment Rate (3)	Public School Enrollment (4)
2004	60,574	\$ 1,820,000	\$ 29,317	4.66%	8,259
2005	61,112	1,946,000	30,961	4.59%	8,237
2006	62,760	2,029,585	32,086	4.22%	8,425
2007	63,511	2,162,444	34,241	4.02%	8,297
2008	63,294	2,401,852	37,796	4.74%	8,297
2009	63,535	2,477,362	38,455	7.42%	8,294
2010	64,107	2,583,758	40,304	8.39%	8,273
2011	65,050	2,639,299	39,174	8.35%	8,491
2012	67,696	*	*	9.30%	8,336
2013	68,645	*	*	8.48%	8,307

Data Sources:

(1) North Carolina Office of State Planning

(2) Bureau of Economic Analysis, U.S. Department of Commerce. Figures are for the prior calendar year.

(3) North Carolina Department of Commerce Division of Employment Security

(4) Carteret County Board of Education

* Information Unavailable

**Principal Employers
Current Year and Ten Years Ago**

Employer	2013			2004		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Carteret County Public Schools	1,235	1	3.78%	1,234	1	3.84%
Carteret General Hospital	992	2	3.04%	795	2	2.48%
NC Department of Transportation	572	3	1.75%	-	-	-
Carteret County	412	4	1.26%	359	6	1.12%
Wal-Mart	391	5	1.20%	570	3	1.78%
Carteret Community College	359	6	1.10%	250	9	0.78%
US Coast Guard	300	7	0.92%	322	7	1.00%
Lowe's Home Improvements	291	8	0.89%	-	-	-
Lowe's Foods	260	9	0.80%	-	-	-
Food Lion	188	10	0.58%	405	4	1.26%
Atlantic Veneer	-	-	-	365	5	1.14%
Henry's Tackle & Sporting Goods	-	-	-	320	8	1.00%
Sheraton Resort at Atlantic Beach	-	-	-	225	10	0.70%

Source: Carteret County Economic Development Council



Carteret County, North Carolina

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

Function/Program	Full-Time Equivalent Employees			
	2004	2005	2006	2007
General government	49.00	47.00	61.30	63.60
Public safety	98.75	100.75	102.75	106.00
Transportation	2.00	2.00	2.00	2.00
Economic and physical development	14.00	15.00	17.00	17.00
Environmental protection	8.80	9.80	9.80	8.00
Human Services	153.25	156.25	154.15	162.60
Cultural and recreation	20.00	20.00	21.00	21.00
Water/Sewer (Business activity)	2.20	2.20	3.70	4.40
Total	348.00	353.00	371.70	384.60

Source: County Finance Department

Notes:

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

Full-time personnel work 2,088 hours per year (less vacation and sick leave).

For purposes of this schedule the number of part-time employees has been divided by 2.5 to arrive at the full-time equivalents.

Schedule 16

2008	2009	2010	2011	2012	2013
66.10	66.10	66.40	66.60	62.85	57.85
114.00	119.00	114.30	141.00	130.00	135.00
2.00	2.00	2.00	2.00	2.00	3.00
19.50	18.50	17.00	17.00	17.00	14.00
6.00	6.00	7.00	7.00	7.00	7.00
167.80	171.80	169.58	169.91	169.33	169.33
22.00	22.00	20.92	21.49	20.07	19.07
4.40	4.40	4.40	4.40	4.15	4.15
401.80	409.80	401.60	429.40	412.40	409.40



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

Function	Fiscal Year				
	2009	2010	2011	2012	2013
Sheriff:					
Physical arrests	2,410	2,363	2,270	2,288	2,091
Environmental Protection:					
Solid waste convenience sites:					
Refuse collected (tons / day)	42.90	44.00	41.48	45.46	43.74
Recycled Material (tons / day)	4.30	5.00	2.34	4.24	4.26
Yard Waste (tons / day)	3.82	4.00	3.12	2.61	3.50
Culture and recreation:					
Park reservations	5,838	5,599	5,404	5,792	6,099
Senior center and community center admissions	84,315	104,501	93,504	98,616	124,177
Public libraries:					
Admissions	255,486	271,856	289,197	293,613	286,588
Electronic resources users	181,896	201,525	237,737	365,516	400,407
Water:					
New connections	54	60	32	30	35
Water mains breaks	-	-	3	3	2
Average daily consumption (gallons / day)	94	97	130	150	125

Sources: Various government departments.

Notes:

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

Data prior to fiscal year ending 2009 is not available

Carteret County, North Carolina

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

	2004	2005	2006	2007
Function				
Public safety:				
Sheriff				
Stations	1	1	1	1
Patrol Units	20	20	20	24
Environmental protection:				
Solid waste convenience sites	12	12	12	12
Culture and recreation:				
Park acreage	148	148	148	148
Parks	7	7	7	7
Tennis courts	5	5	5	5
Community centers	2	2	2	2
Public libraries	4	4	4	4
Water:				
Water mains (miles)	26	26	48	48
Maximum daily capacity	600,000	600,000	600,000	600,000

Sources: Various county departments.

Notes:

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

Schedule 18

2008	2009	2010	2011	2012	2013
1	1	1	1	1	1
24	24	24	24	24	24
12	12	12	12	12	12
159	159	159	159	163	163
7	7	7	7	9	9
5	5	5	5	14	14
2	2	2	2	3	3
4	4	4	4	5	5
48	48	48	51	51	51
600,000	600,000	600,000	600,000	600,000	600,000



Compliance Section

Compliance Section

The Compliance Section contains various schedules and Auditor opinions reflecting Federal, State and Local matching participation in various projects and programs of the County. The Single Audit Amendments Act of 1996 established audit requirements for State and Local governments that receive Federal assistance. The audit requirements were established to insure that audits are conducted on an organization wide basis, rather than on a grant-by-grant basis.





**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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Carteret County, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Carteret County's basic financial statements, and have issued our report thereon dated November 22, 2013. Our report includes a reference to other auditors who audited the financial statements of Carteret County Tourism Development Authority, Beaufort-Morehead City Airport Authority, Carteret County General Hospital Corporation and Carteret County Alcoholic Beverage Control (ABC) Board, as described in our report on Carteret County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Carteret County Tourism Development Authority, Carteret County General Hospital Corporation and Carteret County ABC Board were not audited in accordance with *Government Auditing Standards*. Our report also includes an emphasis of matter paragraph regarding a change in accounting principle.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Carteret County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "McGladrey LLP". The signature is written in black ink and is positioned above the typed address and date.

Morehead City, North Carolina
November 22, 2013



**Independent Auditor's Report
On Compliance for 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

Report on Compliance for Each Major Federal Program

We have audited Carteret County, North Carolina's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Carteret County's major federal programs for the year ended June 30, 2013. 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.

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Carteret County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Carteret County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Carteret County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliances and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

McGladrey LLP

Morehead City, North Carolina
November 22, 2013



**Independent Auditor's Report
On Compliance for Each Major State Program
And on Internal Control Over Compliance
In Accordance with the Applicable Sections of
OMB Circular A-133 and the State Single Audit
Implementation Act**

To the Board of County Commissioners
Carteret County, North Carolina

Report on Compliance for Each Major State Program

We have audited Carteret County, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major State programs for the year ended June 30, 2013. 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.

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

Management's Responsibility

Management is responsible for the compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Carteret County's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133, Audits of States, Local Governments, and Non-profit Organizations, 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 on compliance for each major State program. However, our audit does not provide a legal determination on Carteret County's compliance.

Opinion on Each Major State Program

In our opinion, Carteret County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Carteret County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Carteret County's internal control over compliance with the types of requirements that could have a direct and material effect on each major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

McGladrey LLP

Morehead City, North Carolina
November 22, 2013

Carteret County, North Carolina

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None Reported	
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No	

Federal Awards

Internal control over major federal programs:			
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None Reported	
Type of auditor's report issued on compliance for major federal programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) OMB Circular A-133?	<u> </u> Yes	<u> X </u> No	

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA</u>
Medical Assistance	93.778
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)*	10.557
Temporary Assistance for Needy Families	93.558
Subsidized Child Care Cluster Program	93.575, 93.596, 93.658
Waste & Water Disposal System for Rural Communities - ARRA	
ARRA direct loan	10.781
ARRA development grant	10.781

Dollar threshold used to distinguish between type A and type B programs:	<u>\$ 1,636,184</u>
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Auditee qualified as low-risk auditee?	<u> X </u> Yes	<u> </u> No
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(Continued)

Carteret County, North Carolina

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2013**

I - Summary of Auditor's Results (Continued)

State Awards

Internal control over major State programs:

Material weakness(es) identified?	_____ Yes	_____ X No
Significant deficiency(ies) identified?	_____ Yes	_____ X None Reported

Type of auditor's report issued on compliance for major State programs	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?	_____ Yes	_____ X No
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Identification of major State programs:

<u>Program Name</u>	<u>Grant Number</u>
Public School Building Capital Fund	N/A
Medical Assistance (State Portion)	N/A
Temporary Assistance for Needy Families (State Portion)	N/A
Subsidized Child Care Cluster Program (State Portion)	N/A

Carteret County, North Carolina

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2013**

II - Financial Statement Findings

None reported.

III - Findings and Questioned Costs for Federal Awards

None reported.

IV - Findings and Questioned Costs for State Awards

None reported.

Carteret County, North Carolina

**Corrective Action Plan
Year Ended June 30, 2013**

II - Financial Statement Findings

No corrective action plan is required for the current year.

III - Findings and Questioned Costs for Federal Awards

No corrective action plan is required for the current year.

IV - Findings and Questioned Costs for State Awards

No corrective action plan is required for the current year.

Carteret County, North Carolina

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013**

Finding 12-1: Excess Expenditures over Appropriations for Occupancy Tax Fund

Status: Corrected

**Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2013**

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
Federal Assistance					
US Department of Agriculture:					
Food and Nutrition Service					
Passed through NC Department of Agriculture:					
Administered by County Finance Department					
Soil and water conservation	10.550		\$ 22,489	\$ -	\$ 23,670
Administered by County Engineering Department					
Waste & water disposal system for rural communities - ARRA					
ARRA direct loan	10.781		\$ 1,046,000		\$ (1,046,000)
ARRA development grant	10.781		1,501,350	-	(1,501,350)
			<u>2,569,839</u>	<u>-</u>	<u>(2,523,680)</u>
Passed through NC Department of Health and Human Services:					
Division of Women and Children:					
Administered by County Health Department:					
Special Supplemental Nutrition Program for Women,					
Infants and Children	10.557		242,681	-	14,792
Benefit Payments - noncash	10.557		970,405	-	-
			<u>1,213,086</u>	<u>-</u>	<u>14,792</u>
Passed through NC Department of Health and Human Services:					
Division of Social Services:					
Administered by County Department of Social Services:					
State Administrative Matching Grants for the Food Stamp					
Food and Nutrition Services Cluster:					
Food Stamp Admin	10.561		369,021	-	369,021
Food Stamp Fraud Admin	10.561		20,046	-	20,046
Total Food and Nutrition Services Cluster:			<u>389,067</u>	<u>-</u>	<u>389,067</u>
Total US Department of Agriculture			<u>4,171,992</u>	<u>-</u>	<u>(2,119,821)</u>
US Department of Commerce:					
Passed through NC Department of Environment & Natural Resources					
Division of Water Quality					
Coastal Zone Management Awards-Minor Permit/County Aid	11.419		7,115	-	-
US Department of Interior:					
Direct Program:					
Administered by County Finance Department:					
National Forest, Public Schools	15.225		51,239	-	-
US Department of Transportation:					
Passed through NC Department of Transportation:					
Administered by County CCATS Department:					
Rural Operating Assistance Including Elderly and Disabled:					
Administration Grant	20.509		150,759	9,422	28,267
Capital	20.509		271,276	33,909	33,909
Total US Department of Transportation			<u>422,035</u>	<u>43,331</u>	<u>62,176</u>

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2013

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
US Department of Justice					
Bureau of Justice Assistance					
Administered by Carteret County Sheriff Department					
Equitable Sharing Federal Program	16.922		\$ 44,735	\$ -	\$ -
Passed through NC Department of Public Safety					
Administered by Carteret County Sheriff Department					
Bulletproof Vest Partnership - 2010	16.607		5,106	-	5,106
Operation Pills Can Kill	16.738		37,797	-	12,599
			<u>42,903</u>	<u>-</u>	<u>17,705</u>
Administered by County Rape Crisis					
Basic SA Services	16.575		38,007	-	10,288
Sexual Assault TT Program	16.575		16,531	-	3,988
			<u>54,538</u>	<u>-</u>	<u>14,276</u>
Total US Department of Justice			<u>142,176</u>	<u>-</u>	<u>31,981</u>
US Election Assistance Commission					
General Services Administration					
Passed Through NC Board of Elections					
Administered by Carteret County Elections Department					
HAVA Title I	39.011		5,985	-	-
HAVA Title II Voting Access for Individuals with Disabilities	93.617		8,350	-	-
Total US Election Assistance Commission			<u>14,335</u>	<u>-</u>	<u>-</u>
US Department of Health and Human Services:					
Administration on Aging					
Passed through NC Department of Health and Human Services:					
NC Division of Aging and Adult Services, Eastern Carolina					
Council - Aging Cluster:					
HCCBG In-Home Support Services Title III B	93.044		47,060	2,768	5,481
HCCBG - Access Title III B	93.044		31,867	1,875	3,712
HCCBG Congregate Nutrition Title III C1	93.045		76,010	4,471	8,941
HCCBG Home Delivered Meals Title III C2	93.045		15,078	887	1,774
NSIP-Nutrition	93.053		11,998	-	-
Total Aging Cluster			<u>182,013</u>	<u>10,001</u>	<u>19,908</u>
Passed through NC Department of Health and Human Services:					
NC Division of Aging and Adult Services, Eastern Carolina Council:					
HCCBG In-Home Support Services SSBG	93.667		9,540	273	1,090
Administration for Children and Families					
Passed through NC Department of Health and Human Services:					
Division of Social Services:					
Administered by Carteret County Department of Social Services:					
Temporary Assistance for Needy Families (TANF):					
TANF Benefit Payments	93.558		278,759	(33)	-
Work First Administration	93.558		137,960	-	94,353
TANF Domestic Violence	93.558		(1,087)	-	1,087
Work First Service	93.558		716,901	-	476,063
Total TANF			<u>1,132,533</u>	<u>(33)</u>	<u>571,503</u>
Family Preservation	93.556		5,073	-	-
AFDC Payments	93.560		(729)	(200)	(200)

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2013**

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
Passed through NC Department of Health and Human Services:					
Administered by Carteret County Department of Social Services:					
IV-D Administration	93.563		\$ 638,311	\$ -	\$ 328,827
IV-D Offset Fees ESC	93.563		65	-	34
IV-D Offset Fees Federal	93.563		1,570	6	803
			<u>639,946</u>	<u>6</u>	<u>329,664</u>
Refugee Assistance Payment	93.566		<u>1,267</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		144,100	-	-
Administration	93.568		42,745	-	-
Crisis Intervention payments	93.568		240,496	-	-
			<u>427,341</u>	-	-
Passed through NC Department of Health and Human Services:					
Administered by Carteret County Department of Social Services:					
Division of Child Development					
Subsidized Child Care Cluster					
Child Care Development Fund Cluster					
Division of Social Services					
Child Care Development Fund-Administration	93.596		81,357	-	-
Division of Child Development					
Child Care & Development Fund-Discretionary	93.575		703,534	-	-
Child Care & Development Fund-Mandatory	93.596		295,314	-	-
Child Care & Development Fund-Match	93.596		127,994	16,973	-
Total Child Care Fund Cluster			<u>1,208,199</u>	<u>16,973</u>	-
Social Services Block Grant	93.667		5,925	-	-
Temporary Assistance for Needy Families	93.558		375,434	-	-
Foster Care Title IV-E	93.658		16,734	8,303	-
State Appropriations			-	178,157	-
TANF- MOE			-	69,032	-
Total Subsidized Child Care Cluster			<u>1,606,292</u>	<u>272,465</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:					
Special	93.645		42,418	2,982	15,133
Foster Care and Adoption Cluster:					
Title IV-E Foster Care:					
IV E CPS	93.658		51,987	25,993	25,993
IV-E Optional Adopt TRN 50%	93.659		7,780	-	7,780
IV-E Family Foster Care MAX	93.658		2,046	-	1,080
Foster Care payments	93.658		76,139	20,082	20,083
IV-E Foster Care /OFF TRN	93.658		153,299	-	153,299
IV-E Foster Care TRN	93.658		3,571	-	1,190
IV-E Admin County Paid to CCI	93.658		1,318	659	659
IV-E Adoption	93.659		2,870	-	-
IV-E Adoption Training	93.659		8,319	-	2,773
IV-E Adoption / Off Trn	93.659		17,567	-	17,567
IV-E adoption subsidy and vendor	93.659		377,946	99,756	99,756
Foster Care	N/A		42,344	-	21,353
Total Foster Care and Adoption Cluster			<u>745,186</u>	<u>146,490</u>	<u>351,533</u>

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2013**

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
Passed through NC Department of Health and Human Services:					
Administered by County Department of Social Services:					
Social Services Block Grant:					
Family Planning:					
Social Service Block Grant	93.667		\$ -	\$ 500	\$ -
In- home services	93.667		3,434	-	491
In-home Services over 60	93.667		4,175	-	596
In-home Services - SSBG other services	93.667		174,411	16,235	63,548
CPS TANF to SSBG	93.667		44,352	-	-
			<u>226,372</u>	<u>16,735</u>	<u>64,635</u>
Passed through NC Department of Health and Human Services:					
Administered by County Department of Social Services:					
Independent Living Transitional	93.674		8,093	-	-
Links	93.674		11,622	2,905	-
			<u>19,715</u>	<u>2,905</u>	<u>-</u>
Health Care Financing Administration					
Passed through NC Department of Health and Human Services:					
Division of Medical Assistance:					
Administered by Carteret County DSS:					
Medical Assistance Program					
Expansion	93.778		7,768	7,768	-
ADT CR HM CS Mgt/Spec	93.778		17,916	5,293	12,622
Benefit payments	93.778		42,330,448	23,626,887	90
Transportation Service	93.778		7,987	4,211	-
Division of Social Services					
Administered by Carteret County DSS:					
Medical Assistance Administration	93.778		789,241	-	789,241
Transportation Administration	93.778		74,181	-	74,181
			<u>43,227,541</u>	<u>23,644,159</u>	<u>876,134</u>
Division of Social Services					
Administered by Carteret County DSS:					
State Children's Insurance Program - NC Health Choice	93.767		51,840	1,492	15,008
Centers for Disease Control					
Passed through NC Department of Health and Human Services:					
Division of Public Health:					
Administered by Carteret County Health Department					
Public Health Emergency Preparedness	93.069		50,882	-	9,950
Immunization Grants	93.268		14,970	-	-
Prevention Investigations and Technical Assistance	93.283		494	-	-
Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919		17,760	6,375	493
Statewide Health Promotion Program	93.991		16,534	-	-
			<u>100,640</u>	<u>6,375</u>	<u>10,443</u>
Health Resources and Services Administration					
Passed through NC Department of Health and Human Services:					
Division of Public Health:					
Administered by Carteret County Health Department					
State Health Access	93.256		5,501	-	-
Maternal & Child Health Services Block Grant	93.994		43,819	32,868	201,151
			<u>49,320</u>	<u>32,868</u>	<u>201,151</u>
Office of Population Affairs					
Passed through NC Department of Health and Human Services:					
Office of Population Affairs					
Family Planning Service	93.217		109,326	-	80,936

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2013**

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
Passed through NC Department of Insurance					
Administered by Carteret County Cooperative Extension					
Seniors' Health Insurance Information Program	93.779		\$ 4,557	\$ -	\$ -
Total US Department of Health and Human Services			48,580,191	24,136,518	2,536,938
US Department of Housing & Urban Development					
Passed through NC Department of Commerce					
Division of Community Assistance					
Administered by Carteret County Planning Department					
2009 CDBG State's Program	14.228		315,766	-	-
2009 CDBG CR	14.228		753,326	-	-
Total US Department of Housing & Urban Development			1,069,092	-	-
US Department of Homeland Security					
Passed through NC Department of Public Safety					
Division of Emergency Management					
Administered by Carteret County Emergency Management Department					
2010 Homeland Security Grant Program - Training Grant	97.067		10,242	-	-
Electronic Resource Database Project	97.067		67,800	-	-
Total US Department of Homeland Security			78,042	-	-
State Assistance					
NC Department of Health and Human Services:					
Administered by County Finance Department:					
Services for Court Referrals					
Boys and Girls Club program			-	60,399	-
Juvenile Restitution Fund			-	47,478	-
Juvenile Crime Prevention			-	3,478	-
Teen Court			-	53,414	-
			-	164,769	-
Division of Social Services:					
Administered by County Department of Social Services:					
State/County Special Assistance Benefit payments			3,257	-	11,090
Energy Assistance, Private Grants			-	8,949	-
County Funded Programs			-	-	1,152,574
Non-Allocating County Cost			-	-	280,838
Work First Non Reimbursable			-	-	53,854
AFDC Incent / Prog Integrity			-	574	-
CWS Adopt Subsidy & Vendor			-	165,382	50,267
SC/SA Domiciliary Care payment			-	392,612	392,612
SFHF Maximization			-	3,333	3,333
State Foster Home			-	35,637	35,637
			3,257	606,487	1,980,205

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2013**

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
Division of Aging and Adult Services:					
Passed through Eastern Carolina Council of Government					
Administered by the County Department of Social Services					
In-house Services 90% State Funds:					
Senior Center :					
HCCBG - Access			\$ -	\$ 22,036	\$ 2,448
HCCBG - In Home Support			-	219,651	24,403
HCCBG - Home Delivered Meals			-	28,309	3,145
			-	269,996	29,996
Division of Public Health					
Administered by the County Health Department					
Other Receipts/ State Supported Expenditures					
Food and Lodging Fees			-	6,194	-
Environmental Health			-	4,000	1,019,646
Mosquito-Public Health Pesticide			-	5,590	-
General Aid to County			-	80,139	1,025,771
Communicable Disease			-	1,756	118,051
Risk Reduction/ Health Promotion			-	6,206	-
Women's Health Service Fund			-	3,479	-
Tuberculosis			-	10,964	-
TB Medical Service			-	1,529	-
School Nurse Funding Initiative			-	50,000	-
			-	169,857	2,163,468
Total NC Department of Health and Human Services			3,257	1,211,109	4,173,669
NC Department of Environment and Natural Resources:					
Natural Resources Division:					
Passed through County Finance Office:					
White Goods Disposal			-	20,785	-
Scrap Tire Disposal			-	82,855	-
Total NC Department of Environment and Natural Resources			-	103,640	-

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2013**

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
NC Department of Public Safety:					
Division of Emergency Management					
Administered by the County Emergency Services Department					
Emergency Management Performance Grant			\$ -	\$ 35,503	\$ 35,503
NC Department of Administration:					
Division of Veterans Affairs:					
Administered by County Veterans Services:					
Veterans Services			-	1,452	318,609
Other:					
Sexual Assault Grant Rape Crisis			-	50,247	10,049
Total NC Department of Administration			-	51,699	328,658
NC Department of Agriculture:					
Administered by the County Health Department					
Spay and Neuter Program			-	950	-
NC Department of Public Instruction:					
Public School Building Capital Fund					
Administered by the County Finance Department					
Lottery Proceeds Allocation			-	700,000	-
NC Department of Transportation					
Administered by the Carteret County Transportation Department					
DOT ROAP RGP Grant		DOT-16CL	-	81,025	9,003
DOT ROAP Employment Grant		DOT-16CL	-	22,599	2,511
DOT Elderly and Disabled		DOT-16CL	-	68,260	7,584
Total NC Department of Transportation			-	171,884	19,098
NC Rural Economic Development Center					
Administered by the Carteret County Engineering Department					
Water System Improvements		160-40101-112	-	170,000	-
Total Federal Expenditures			\$ 54,539,474		
Total State Expenditures				\$ 26,624,634	
Total Local Expenditures					\$ 5,068,202

See Notes to Schedule of Expenditures of Federal and State Awards.

Carteret County, North Carolina

Notes to Schedule of Expenditures of Federal and State Awards Year Ended June 30, 2013

Note 1. General

The accompanying schedule of expenditures of federal and State awards represents only the activity of all federal and State financial assistance programs of Carteret County, North Carolina, primary government. The information 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 is presented using the modified accrual basis of accounting, which is described in Note 1 to the County's basic financial statements, except that direct benefit payments (excluding SNAP direct benefits payments discussed below) made by the State of North Carolina to eligible program beneficiaries and the value of WIC vouchers distributed, which are not included as expenditures in the basic financial statements, are included in this Schedule of Expenditures of Federal and State Awards.

In accordance with guidance issued by the United States Department of Agriculture, Food and Nutrition Service Division, direct benefits payments for the Supplemental Nutrition Assistance Program (SNAP), formerly the Food Stamp Program, of \$12,519,713 have not been reported as expenditures in the basic financial statements or in the Schedule of Expenditures of Federal and State Awards.

Note 3. Relationship to Fund Financial Statements

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

Note 4. Loans Outstanding

The County has outstanding loan balances from federal and State funding sources that are not required to be presented within the schedule of expenditures of federal and State awards because there are no continuing requirements beyond the repayment of the loan balances in accordance with loan agreement provisions. The loan funds are presented in the schedule in the year of their expenditure. The outstanding balance of the Drinking Water State Revolving Fund at June 30, 2013 was \$2,130,320 and the outstanding balance of the USDA Water Revenue Bond at June 30, 2013 was \$1,046,000.

Note 5. Program Clusters

The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes: Subsidized Child Care, Foster Care and Adoption.

Carteret County, North Carolina

**Notes to Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2013**

Note 6. Timing of Awards

The County received loan proceeds of \$1,046,000 and grant revenue of \$1,501,350 from the USDA during the current fiscal year ending June 30, 2013. These funds reimbursed the County for project expenditures incurred primarily during the 2011 and 2012 fiscal years and were reported on the Schedule of Expenditures of Federal and State Awards (SEFSA) for those years as detailed below.

<u>Year Ended June 30,</u>	<u>Expenditures</u>
2011	\$ 682,245
2012	1,453,663
	<u>\$ 2,135,908</u>

Expenditures above exclude amounts not reported on the SEFSA in 2010 of \$ 402,222 and in 2013 of \$9,220.