

CARTERET COUNTY NORTH CAROLINA



Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2014

CARTERET COUNTY
NORTH CAROLINA

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2014

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

GFOA Certificate of Achievement



CARTERET COUNTY FINANCE

Denise H. Meshaw, CPA
Assistant County Manager
Finance Department



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www.carteretcountync.gov

December 15, 2014

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, 2014.

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, 2014 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, 2014, 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 69,000 residents living in or around municipalities and rural “Down East” maritime communities. Carteret County contains 526 square miles of land area and a coastline nearly 80 miles long. The County is bordered on the north by the Pamlico Sound and on the east and south by the Atlantic Ocean. Eleven municipalities are located within the County, with Morehead City being the largest. Beaufort, the third oldest town in North Carolina, serves as the County seat.

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

The County provides a full range of services including public safety, social services and health services, cultural and recreational activities, general administration, and other. The Board of County Commissioners also extends financial support to certain boards, agencies, and commissioners to assist their efforts in servicing citizens. Among these are the Carteret County Board of Education, the Craven-Pamlico-Carteret Regional Library, Carteret Community College, the Economic Development Council, and 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 6.50% for the County compared to 8.48% in the prior year, and those rates are lower than the state’s average unemployment rate of 7.20%. Even in this slow economy, the tourism industry continues to perform well with an average annual economic impact of \$302.77 million, a 7.35% increase from the previous year. Carteret County ranks twelfth 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 175 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. Jarrett Bay Boatworks Inc. added an ultra-modern 30,000 square foot indoor heated repair facility that is designed to accommodate up to two 100 foot vessels side by side with a 55 foot clearance. This addition brings Jarrett Bay's building square footage to 125,000. 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 2014, the Morehead City Port's total tonnage was \$1,783,374, with top commodities such as phosphate, woodchips, sulfur products, rubber, and metal products.

Marine Science

The marine science cluster in Carteret County is anchored by Duke University Marine Lab, University of North Carolina Institute of Marine Science, North Carolina State University Center for Marine Science and Technology (CMAST) and the National Oceanic and Atmospheric Administration (NOAA) Center for Coastal Fisheries and Habitat Research. The four institutions have 162,645 square feet of marine research facilities and 40 individual laboratories. Marine science in Carteret County accounts for over \$58 million in revenue.

Retail

Retail continues to expand in Carteret County. The County continues to see modest expansion in locally owned restaurants and retail.

The following table lists the 10 largest manufacturing and nonmanufacturing employers in the County in 2014:

Employer	Service	Approximate Number of Employees
Carteret County Public Schools	Education	1,120
Carteret General Hospital	Medical	755
NC Department of Transportation	Transportation	441
Carteret County	Government Service	386
US Coast Guard	Military	300
Wal-Mart	Retail	282
Lowes Home Improvements	Retail	174
Carteret Community College	Education	168
Town of Morehead City	Government Service	151
Bluewater Real Estate	Real Estate	125

Source: Carteret County Economic Development Council
2014 Employees are full time

Long-Term Financial Planning

The County's total operating budget for the fiscal year ending June 30, 2015 totals \$107,249,825 with a General Fund tax rate of \$.30 per \$100 of assessed value, based on a total valuation of \$15.45 billion. The County's assessed value represents approximately a .39% increase from the assessed value used in the June 30, 2014 budget. The County anticipates slight growth in its tax base for the fiscal year ending June 30, 2015. For the County's operating budget for the fiscal year June 30, 2016, it is anticipated that the tax rate would need to be between \$.30 and \$.32 per \$100 of the current assessed value to maintain the current level of service. Currently, the County's Tax Department is conducting property revaluation; these adjusted real property valuations will be effective 2016 fiscal year budget. Currently, staff does not have an estimate of the new property valuation for fiscal year 2016.

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 2015. The County continues developing a facilities master plan to address space needs for social services, courts, Sheriff Division, and County administration needs. This plan should be presented late fall of 2014. 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 its initiatives in the fiscal year 2015 budget to improve public safety. The fiscal year 2015 budget funds equipment and expanded staffing levels.

The County continues to place emphasis on its employees. The County's contracted classification and compensation study will be presented to the Board of Commissioners in the fall of 2014. The fiscal year 2015 budget includes funding to implement a multiple year phased in approach.

In fiscal year 2013, the County completed its \$3.51 million water system improvement project. In fiscal year 2015, 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, 2013. This was the sixteenth 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, 2014. 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 black ink that reads "Dee Meshaw". The signature is written in a cursive, flowing style.

Dee H. Meshaw
Assistant County Manager Finance

CARTERET COUNTY, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS JUNE 30, 2014

BOARD OF COMMISSIONERS

JONATHAN ROBINSON
Chairman
Atlantic, 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

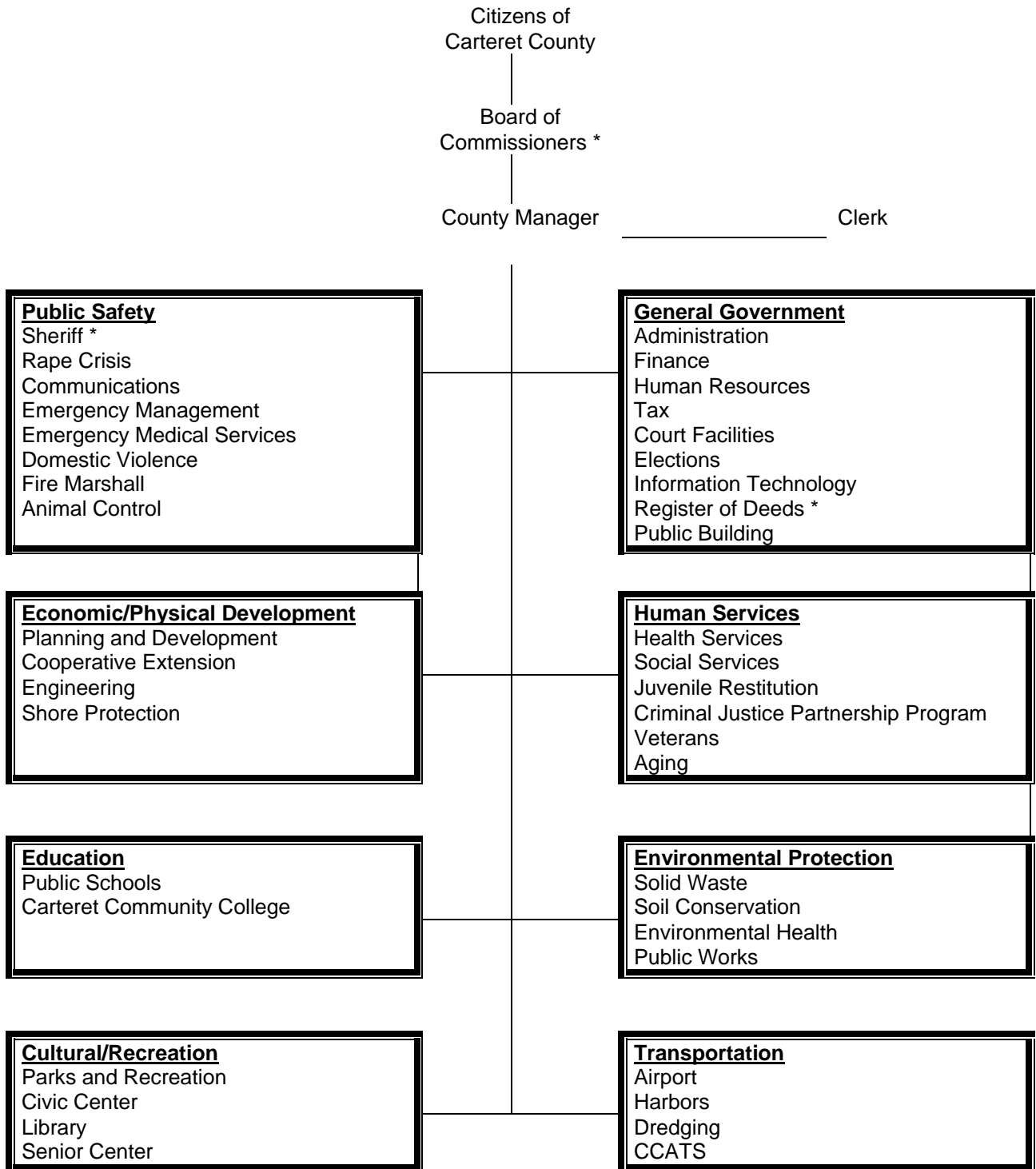
GREGORY LEWIS
Morehead City, North Carolina

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
Paula Stanley	Interim Health Director
Eugene Foxworth	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

North Carolina



Carteret County

Population	69,092
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, 2013

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, 2014, 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 represents 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, 2014, 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.

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 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.

Supplementary 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 December 15, 2014, 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
December 15, 2014



Management Discussion and Analysis

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited) June 30, 2014

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, 2014. 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

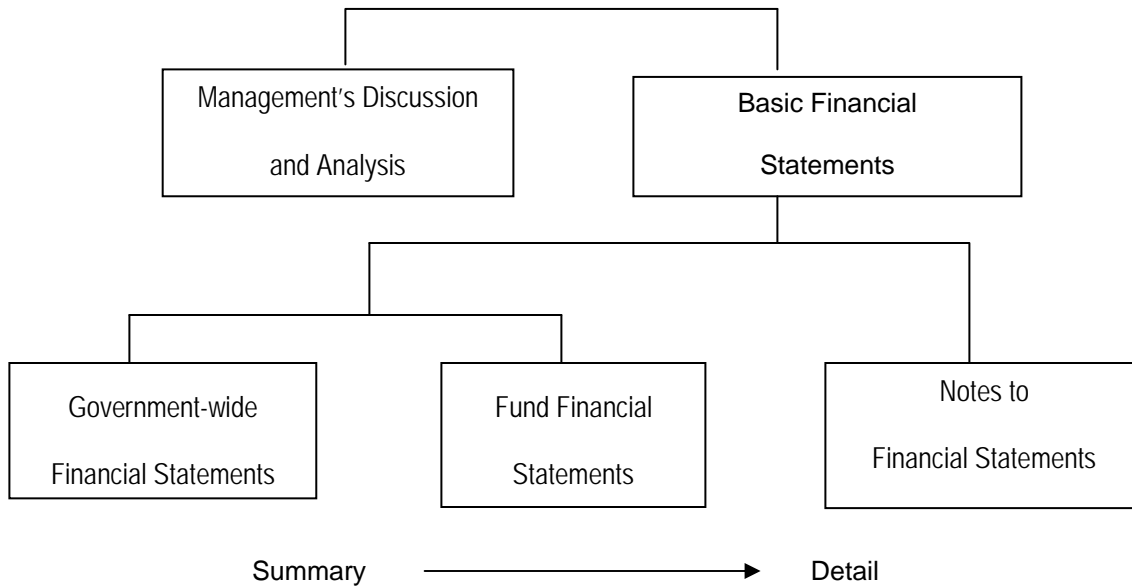
- The assets and deferred outflows of resources of Carteret County (primary government) were greater than its liabilities and deferred inflows of resources at the close of the fiscal year by \$35,670,314 (*net position*).
- The government's total net position increased by \$10,334,084, due to an approximate \$1.13 million onetime revenue due to the Eastern Region Global Trans-Park Development Commission no longer existing, as well as revenues exceeding projections and expenses less than projected.
- As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$59,582,419, after a net increase in fund balance of \$6,664,408. Approximately 51.23 percent of this total amount or \$30,523,835 is restricted, committed or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$30,092,051 or 42.34 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 \$5,685,831 due to retiring debt principal.
- The County maintained its AA+ (Standard & Poor's and Fitch Ratings) and Aa1 (Moody's Investor Services) for the third 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 of resources 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 Boards by appointing their 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.

**Management's Discussion and Analysis (Unaudited)
June 30, 2014**

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 - 87 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 of resources by \$35,670,314 as of June 30, 2014. The County's net position increased by \$10,334,084 for the fiscal year ended June 30, 2014. Net position is reported in three categories: net investment in capital assets of \$28,834,060, restricted net position of \$20,852,514, and unrestricted net position (deficit) of (\$14,016,260).

Carteret County, North Carolina

**Management's Discussion and Analysis (Unaudited)
June 30, 2014**

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, 2014, the unrestricted net position of governmental activities reported a deficit of \$14,016,260. Of the County's net position, \$20,852,514 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. 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 \$51.84 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	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 67,913,618	\$ 61,541,012	\$ 851,225	\$ 830,287	\$ 68,764,843	\$ 62,371,299
Capital assets	25,107,027	26,450,857	8,358,722	8,735,317	33,465,749	35,186,174
Total assets	93,020,645	87,991,869	9,209,947	9,565,604	102,230,592	97,557,473
Total deferred outflows of resources	1,970,041	2,170,697	-	-	1,970,041	2,170,697
Long-term liabilities						
outstanding	60,885,791	66,263,157	3,022,344	3,194,763	63,908,135	69,457,920
Other liabilities	4,437,210	4,727,217	134,139	155,794	4,571,349	4,883,011
Total liabilities	65,323,001	70,990,374	3,156,483	3,350,557	68,479,484	74,340,931
Total deferred inflows of resources	50,835	51,009	-	-	50,835	51,009
Net position:						
Net investment in capital assets	23,480,626	25,250,857	5,353,434	5,558,997	28,834,060	30,809,854
Restricted	20,852,514	17,586,592	-	-	20,852,514	17,586,592
Unrestricted	(14,716,290)	(23,716,266)	700,030	656,050	(14,016,260)	(23,060,216)
Total net position	\$ 29,616,850	\$ 19,121,183	\$ 6,053,464	\$ 6,215,047	\$ 35,670,314	\$ 25,336,230

Management's Discussion and Analysis (Unaudited)
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Governmental activities: Governmental activities increased the County's net position by \$10,495,667 from fiscal year 2013. Key elements of this increase are as follows:

- Increases in property tax revenue were approximately \$670,000 and was due to some growth in the County tax base as well as some tax rate increases in special taxing districts.
- Increases in other taxes were approximately \$547,000 from the prior fiscal year. The Board of Commissioners increased the occupancy tax levy by 1% that was effective the last 6 months of the fiscal year.
- Increases in the other revenues category were approximately \$589,000 and was due to an increase in ABC System profit distributions, investment earnings, and other small unrestrictive revenues.
- The County received a onetime revenue distribution of approximately \$1.13 million from the NC Eastern Region due to the state dissolving the Eastern Region.
- Transportation expenses decreased approximately \$1.371 million due to the transportation department not receiving capital grants in fiscal year 2014, and one time revenue remitted to the Airport Authority due to the sale of right-of-way property to the State of North Carolina.
- Many expense categories were less than projected, such as general government, economic and physical development, human services, and contingency that resulted in an increase in net position.

Business-type activities: Business-type activities decreased net position by \$161,583. The primary factor for the decrease was due to depreciation expense for the water system. The County completed a major water system improvement fiscal year ending June 30, 2013, and now those assets are being depreciated.

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited)
June 30, 2014

The County's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 5,591,531	\$ 5,528,015	\$ 562,238	\$ 575,338	\$ 6,153,769	\$ 6,103,353
Operating grants and contributions	12,661,540	13,413,544	-	-	12,661,540	13,413,544
Capital grants and contributions	-	305,185	-	1,751,350	-	2,056,535
General revenues:						
Property taxes	50,921,192	50,250,954	-	-	50,921,192	50,250,954
Other taxes	18,880,889	18,333,841	-	-	18,880,889	18,333,841
Other	1,455,352	866,423	3,487	1,219	1,458,839	867,642
Total revenues	89,510,504	88,697,962	565,725	2,327,907	90,076,229	91,025,869
Expenses:						
General government	6,442,611	5,946,901	-	-	6,442,611	5,946,901
Public safety	18,792,650	18,335,600	-	-	18,792,650	18,335,600
Transportation	1,076,768	2,447,821	-	-	1,076,768	2,447,821
Economic and physical development	5,031,505	12,020,756	-	-	5,031,505	12,020,756
Environmental protection	3,158,629	3,150,593	-	-	3,158,629	3,150,593
Human services	15,324,864	15,277,891	-	-	15,324,864	15,277,891
Cultural and recreation	3,783,152	3,485,610	-	-	3,783,152	3,485,610
Education	24,135,533	25,364,930	-	-	24,135,533	25,364,930
Interest on long-term debt	2,097,621	2,095,322	-	-	2,097,621	2,095,322
Water	-	-	1,027,308	909,307	1,027,308	909,307
Total expenses	79,843,333	88,125,424	1,027,308	909,307	80,870,641	89,034,731
Increase (decrease) in net position before special item and transfers	9,667,171	572,538	(461,583)	1,418,600	9,205,588	1,991,138
Special Item	1,128,496	2,000,000	-	-	1,128,496	2,000,000
Transfers	(300,000)	(231,565)	300,000	231,565	-	-
Increase (decrease) in net position	10,495,667	2,340,973	(161,583)	1,650,165	10,334,084	3,991,138
Net position, beginning, previously reported	19,121,183	18,105,677	6,215,047	4,564,882	25,336,230	22,670,559
Restatement	-	(1,325,467)	-	-	-	(1,325,467)
Net position, July 1, restated	19,121,183	16,780,210	6,215,047	4,564,882	25,336,230	21,345,092
Net position, June 30	\$ 29,616,850	\$ 19,121,183	\$ 6,053,464	\$ 6,215,047	\$ 35,670,314	\$ 25,336,230

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 \$30,092,051, while total fund balance reached \$51,692,173. 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 42.34 percent of general fund expenditures, while total fund balance represents 72.73 percent of that same amount. The County's available fund balance decreased \$435,441 due to the FY15 fund balance appropriation. Although unassigned fund balance decreased approximately \$435,000, revenues and other sources exceeded expenditures and other uses by approximately \$7.12 million. Of the \$7.12 million, almost \$5 million is restricted fund balance for economic development and beach nourishment purposes. Revenues exceeded budgeted amounts by approximately \$1.03 million, with most of the amount derived from sales taxes and property taxes. In addition to revenues exceeding the budget, many function level expenditures were less than the budget amount by approximately \$5.18 million. Human services, economic development, and general government functions had the greatest amounts of coming in under budget.

At June 30, 2014, the governmental funds of the County reported a combined fund balance of \$59,582,419, a 12.59 percent increase from last year. The primary reason for this increase is due to the increases described above in the General Fund.

General Fund Budgetary Highlights

During fiscal year 2014, the County's financial picture was good. Revenues were more than budgeted by a net amount of \$1,034,026. Ad valorem taxes and sales taxes revenues were \$1,200,770 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 \$319,199 and expenditure appropriations by \$2,636,627. The appropriations increase was mostly due to the increases in general government, public safety, economic and physical development, and the County's human services departments.

The County's expenditures were less than the budgeted amount by \$5.18 million, and most of the savings are in the human services programs of \$1.68 million, economic and physical development programs of \$1.47 million, as well as general government, public safety, environmental protections and culture and recreation.

Carteret County, North Carolina

**Management's Discussion and Analysis (Unaudited)
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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 \$700,030. The increase in unrestricted net position is due to expenses being less than projected expenses, such as maintenance and chemicals. 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. In fiscal year 2014, \$300,000 was transferred from the water taxing district compared to \$231,565 in fiscal year 2013.

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, 2014, totals \$33,465,749 (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
- o Park field lighting Improvements at Freedom Park.
- o Building improvements to the Taylor Extended Care facility installing a sprinkler system.
- o Water fund assets included the purchase of a vehicle.

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	
	2014	2013	2014	2013	2014	2013
Land	\$ 5,545,684	\$ 5,582,361	\$ 222,608	\$ 222,608	\$ 5,768,292	\$ 5,804,969
Buildings	10,190,910	10,966,332	1,365,749	1,436,391	11,556,659	12,402,723
Water lines	-	-	6,697,921	7,028,956	6,697,921	7,028,956
Vehicles	934,656	996,055	19,809	1	954,465	996,056
Equipment	1,065,851	1,156,570	52,635	47,361	1,118,486	1,203,931
Airport facilities	-	5,021	-	-	-	5,021
Other improvements	5,288,386	5,164,106	-	-	5,288,386	5,164,106
Leasehold improvements	2,081,540	2,211,061	-	-	2,081,540	2,211,061
Construction in progress	-	369,351	-	-	-	369,351
Total	\$ 25,107,027	\$ 26,450,857	\$ 8,358,722	\$ 8,735,317	\$ 33,465,749	\$ 35,186,174

Carteret County, North Carolina

**Management’s Discussion and Analysis (Unaudited)
June 30, 2014**

General Obligation, Capital Leases and Installment Notes Payable

Long-Term Debt. As of June 30, 2014, the County had total general obligation bonded debt outstanding of \$36,545,000, 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.

Figure 5

	Carteret County's Outstanding Debt					
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 36,545,000	\$ 40,605,000	\$ -	\$ -	\$ 36,545,000	\$ 40,605,000
Certificate of participation	3,560,000	4,040,000	-	-	3,560,000	4,040,000
Revenue bond	-	-	1,046,000	1,046,000	1,046,000	1,046,000
Installment note payable	13,365,073	14,339,872	1,959,288	2,130,320	15,324,361	16,470,192
Total long-term debt	\$ 53,470,073	\$ 58,984,872	\$ 3,005,288	\$ 3,176,320	\$ 56,475,361	\$ 62,161,192

The County’s total debt decreased \$5,685,831 (excluding deferred amounts) during the past fiscal year. The decrease is due to retiring debt principal.

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, 2014, for the County is \$1,169,811,660.

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, 2014, the unemployment rate for the County averaged 6.50%, compared to the 8.48% for fiscal year 2013. This compares favorably to the state’s average unemployment rate of 7.20% for fiscal year 2014. 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 with no tax increase in the fiscal year ending June 30, 2014. The County adopted an ad valorem tax rate of \$.30 cents per \$100 assessed value in fiscal year 2015. This was a one cent increase from the previous fiscal year.

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities: The County has approved an \$86.43 million general fund budget for fiscal year 2015, which represents a \$5.58 million or 6.90% increase from fiscal year 2014 budget. The net increase in the budget is primarily due to \$4.41 million increase in public school funding with \$2.06 million for operating expenditures and \$2.35 million increase in capital expenditures. Other increases included increased funding for the Community College, County capital, and funding for a classification and compensation study.

In the budget, the County's Board of Commissioners increased the General Fund ad valorem property tax rate per \$100 assessed valuation to 30 cents, a one cent increase. As a result of increases in budgeted property tax assessed values from FY 13 to FY14, the County budgeted an additional \$1.5 million in property tax revenue. Due to growth in sales tax revenue, the County budgeted a 2.0% increase that generates approximately \$300,000 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 2015 General Fund budgets approximately \$5.25 million fund balance appropriation. This amount of fund balance is primarily due to funding public school capital, as well as other one time nonrecurring expenses.

Education is the largest service area in terms of its portion of total expenditures. Capital, operating, and contingency education expenditures total \$24,196,210 or 22.56% of the fiscal year 2015 budget. This area includes funding for the public school system and the Carteret County Community College.

Business Activities: In fiscal year 2013, the County completed its \$3.51 million construction project to enhance and improve the County's water treatment system. The improvements constructed elevated water storage tanks, a booster pump station, and water plant upgrades; as a result of this improvement, the County does not have any large projects in the next several years. For FY15, the Water Fund adopted budget is \$895,000 for operations, debt service and equipment. FY15 annual debt service is approximately \$270,000.

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, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 5,254,417	\$ 762,070	\$ 6,016,487
Investments	47,687,105	-	47,687,105
Receivables (net)	11,032,323	45,464	11,077,787
Due from component unit	172,316	-	172,316
Inventories	-	-	-
Prepaid items	-	-	-
Restricted assets:			
Cash and cash equivalents	2,905,543	43,691	2,949,234
Investments	861,914	-	861,914
Other assets	-	-	-
Capital assets:			
Land, improvements, and construction in progress	5,545,684	222,608	5,768,292
Other capital assets, net of depreciation	19,561,343	8,136,114	27,697,457
Total capital assets	25,107,027	8,358,722	33,465,749
Total assets	93,020,645	9,209,947	102,230,592
Deferred Outflows of Resources	1,970,041	-	1,970,041
Liabilities			
Accounts payable and accrued expenses	3,842,811	34,117	3,876,928
Accrued interest payable	594,399	11,092	605,491
Customer deposits	-	88,930	88,930
Due to primary government	-	-	-
Long-term liabilities:			
Due within one year	6,981,694	191,156	7,172,850
Due in more than one year	53,904,097	2,831,188	56,735,285
Total long-term liabilities	60,885,791	3,022,344	63,908,135
Total liabilities	65,323,001	3,156,483	68,479,484
Deferred Inflows of Resources	50,835	-	50,835
Net Position			
Net investment in capital assets	23,480,626	5,353,434	28,834,060
Restricted for:			
Public Safety	4,198,507	-	4,198,507
Economic Development	9,752,030	-	9,752,030
Cultural and Recreation	102,739	-	102,739
Register of Deeds	375,918	-	375,918
Human Services	797,986	-	797,986
Education	12,139	-	12,139
Stabilization by State Statute	5,613,195	-	5,613,195
Other purposes	-	-	-
Unrestricted (deficit)	(14,716,290)	700,030	(14,016,260)
Total net position	\$ 29,616,850	\$ 6,053,464	\$ 35,670,314

See Notes to Financial Statements.

Component Units

	Carteret County Tourism Development Authority	Carteret County General Hospital Corporation	Carteret County ABC Board
\$ 435,513	\$ 627,177	\$ 94,870,449	\$ 1,057,062
-	-	-	-
7,549	556,937	27,771,777	-
-	-	-	-
-	-	3,277,864	1,138,357
2,209	-	2,140,015	30,283
-	-	4,329,494	-
-	-	-	-
-	-	1,403,169	-
2,117,785	-	3,462,901	1,149,703
8,448,510	143,828	40,660,776	2,335,133
10,566,295	143,828	44,123,677	3,484,836
11,011,566	1,327,942	177,916,445	5,710,538
-	-	-	-
8,695	75,814	16,936,798	777,903
-	-	-	-
-	-	-	-
-	-	-	172,316
-	3,639	532,043	175,684
-	10,916	1,804,075	1,168,490
-	14,555	2,336,118	1,344,174
8,695	90,369	19,272,916	2,294,393
-	-	6,997,504	-
10,566,295	143,828	41,787,559	2,140,662
-	-	-	48,014
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
219,138	556,937	-	-
-	536,808	1,117,200	351,366
217,438	-	108,741,266	876,103
\$ 11,002,871	\$ 1,237,573	\$ 151,646,025	\$ 3,416,145

Carteret County, North Carolina

Statement of Activities
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 6,442,611	\$ 1,552,817	\$ -	\$ -
Public safety	18,792,650	293,299	1,150,055	-
Transportation	1,076,768	193,228	643,090	-
Economic and physical development	5,031,505	513,351	119,025	-
Environmental protection	3,158,629	2,398,662	406,301	-
Human services	15,324,864	370,946	9,349,318	-
Cultural and recreation	3,783,152	269,228	26,761	-
Education	24,135,533	-	45,159	-
Interest on long-term debt	2,097,621	-	921,831	-
Total governmental activities	79,843,333	5,591,531	12,661,540	-
Business-type activities:				
Water	1,027,308	562,238	-	-
Total primary government	\$ 80,870,641	\$ 6,153,769	\$ 12,661,540	\$ -
Component units:				
Airport Authority	\$ 343,278	\$ 126,024	\$ 67,290	\$ 62,054
Tourism Development Authority	2,988,623	2,869,260	142,857	-
Hospital	120,133,551	137,283,303	557,360	-
ABC Board	9,048,649	9,168,899	-	-
Total component units	\$ 132,514,101	\$ 149,447,486	\$ 767,507	\$ 62,054
General revenues:				
Taxes:				
Property taxes, levied for general purpose				
Local option sales tax				
Other taxes				
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				
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
\$ (4,889,794)	\$ -	\$ (4,889,794)				
(17,349,296)	-	(17,349,296)				
(240,450)	-	(240,450)				
(4,399,129)	-	(4,399,129)				
(353,666)	-	(353,666)				
(5,604,600)	-	(5,604,600)				
(3,487,163)	-	(3,487,163)				
(24,090,374)	-	(24,090,374)				
(1,175,790)	-	(1,175,790)				
(61,590,262)	-	(61,590,262)				
-	(465,070)	(465,070)				
(61,590,262)	(465,070)	(62,055,332)				
			\$ (87,910)	\$ -	\$ -	\$ -
			-	23,494	-	-
			-	-	17,707,112	-
			-	-	-	120,250
			(87,910)	23,494	17,707,112	120,250
50,921,192	-	50,921,192	-	-	-	-
13,640,870	-	13,640,870	-	-	-	-
5,240,019	-	5,240,019	-	-	-	-
964,088	-	964,088	-	-	-	14,854
285,376	3,487	288,863	800	764	129,380	-
205,888	-	205,888	-	902	-	3,000
71,257,433	3,487	71,260,920	800	1,666	129,380	17,854
1,128,496	-	1,128,496	-	-	-	-
(300,000)	300,000	-	-	-	-	-
72,085,929	303,487	72,389,416	800	1,666	129,380	17,854
10,495,667	(161,583)	10,334,084	(87,110)	25,160	17,836,492	138,104
19,121,183	6,215,047	25,336,230	11,089,981	1,212,413	133,809,533	3,278,041
\$ 29,616,850	\$ 6,053,464	\$ 35,670,314	\$ 11,002,871	\$ 1,237,573	\$ 151,646,025	\$ 3,416,145

Carteret County, North Carolina

**Balance Sheet - Governmental Funds
June 30, 2014**

	Governmental Fund Types			
	Major Fund		Total	Total
	General	Occupancy Tax Fund	Non-Major Funds	Governmental Funds
Assets				
Cash and investments	\$ 48,043,859	\$ -	\$ 4,897,663	\$ 52,941,522
Receivables, net	7,994,265	1,119,125	1,079,693	10,193,083
Restricted cash and investments	1,054,034	-	2,713,423	3,767,457
Due from other funds	476,530	-	-	476,530
Due from component units	172,316	-	-	172,316
Total assets	\$ 57,741,004	\$ 1,119,125	\$ 8,690,779	\$ 67,550,908
Liabilities, Deferred Inflows and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,968,080	\$ 556,937	\$ 317,794	\$ 3,842,811
Due to other funds	-	476,530	-	476,530
Total liabilities	2,968,080	1,033,467	317,794	4,319,341
Deferred Inflows of Resources	3,080,751	-	568,397	3,649,148
Fund balances:				
Restricted:				
Register of Deeds	375,918	-	-	375,918
Recreation Districts	102,739	-	-	102,739
Beach Nourishment	7,312,865	-	-	7,312,865
Stabilization by State Statute	5,613,195	-	-	5,613,195
Sheriff's fund	437,789	-	-	437,789
Health programs	797,986	-	-	797,986
Public safety	-	-	688,078	688,078
Rescue protection	-	-	713,377	713,377
Fire protection	-	-	1,723,198	1,723,198
School capital	-	-	12,139	12,139
Economic development	1,705,420	1,119,125	171,557	2,996,102
Committed:				
Economic development	-	-	732,706	732,706
Taylor Extended Care	-	-	403,529	403,529
School capital	-	-	903,468	903,468
Assigned:				
Subsequent year's expenditures	5,254,210	-	1,451,065	6,705,275
County capital	-	-	1,005,471	1,005,471
Unassigned	30,092,051	(1,033,467)	-	29,058,584
Total fund balances	51,692,173	85,658	7,804,588	59,582,419
Total liabilities, deferred inflows of resources and fund balances	\$ 57,741,004	\$ 1,119,125	\$ 8,690,779	\$ 67,550,908

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

Total fund balances for governmental funds	\$ 59,582,419
Capital assets used in governmental activities are not current financial resources and, therefore are not reported in the funds	25,107,027
Deferred inflows of resource for taxes and special assessments receivable	3,598,313
Accrued interest receivable deferred in the fund statements	839,240
Accrued interest payable on long-term debt is not a current financial obligation and, therefore, is not in the funds	(594,399)
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore are not reported in the funds	(60,885,791)
Charges related to advance refunding bond issue	1,970,041
Net position of governmental activities	\$ 29,616,850

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
Year Ended June 30, 2014

	Governmental Fund Types			
	Major Funds		Total	Total
	General	Occupancy Tax Fund	Non-Major Funds	Governmental Funds
Revenues				
Ad valorem taxes	\$ 45,153,429	\$ -	\$ 5,788,477	\$ 50,941,906
Other taxes	12,117,341	5,189,070	1,574,478	18,880,889
Permits and fees	2,575,469	-	-	2,575,469
Intergovernmental	13,095,991	-	529,637	13,625,628
Sales and services	3,016,062	-	-	3,016,062
Interest	250,585	2,766	32,025	285,376
Miscellaneous	172,353	-	-	172,353
Total revenues	76,381,230	5,191,836	7,924,617	89,497,683
Expenditures				
Current:				
General government	6,160,049	-	-	6,160,049
Public safety	10,290,235	-	7,831,820	18,122,055
Transportation	918,872	-	-	918,872
Environmental protection	3,132,347	-	-	3,132,347
Economic and physical development	2,044,335	2,869,259	8,634	4,922,228
Human services	14,719,500	-	-	14,719,500
Culture and recreation	3,191,895	-	-	3,191,895
Education	21,816,743	-	-	21,816,743
Capital outlay	-	-	2,837,981	2,837,981
Debt service:				
Principal retirement	6,520,683	-	-	6,520,683
Interest and fees	2,280,183	-	-	2,280,183
Total expenditures	71,074,842	2,869,259	10,678,435	84,622,536
Excess (deficiency) of revenues over (under) expenditures	5,306,388	2,322,577	(2,753,818)	4,875,147
Other financing sources (uses)				
Debt issuance	907,000	-	-	907,000
Sale of capital assets	53,765	-	-	53,765
Special item	1,128,496	-	-	1,128,496
Transfer in	2,319,811	-	2,591,647	4,911,458
Transfers out	(2,591,308)	(2,319,811)	(300,339)	(5,211,458)
Total other financing sources (uses)	1,817,764	(2,319,811)	2,291,308	1,789,261
Net change in fund balance	7,124,152	2,766	(462,510)	6,664,408
Fund balances				
Beginning	44,568,021	82,892	8,267,098	52,918,011
Ending	\$ 51,692,173	\$ 85,658	\$ 7,804,588	\$ 59,582,419

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, 2014**

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

Net changes in fund balances - total governmental funds	\$ 6,664,408
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.	(1,422,484)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, retirements, and donations) is an increase to net assets.	(20,230)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(20,714)
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	5,294,687
Total changes in net position of governmental activities	\$ 10,495,667

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, 2014

	General Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Revenues				
Ad valorem taxes	\$ 44,496,000	\$ 44,496,000	\$ 45,153,429	\$ 657,429
Other taxes	11,685,000	11,574,000	12,117,341	543,341
Permits and fees	2,646,300	2,665,300	2,575,469	(89,831)
Intergovernmental	12,359,447	13,099,275	13,095,991	(3,284)
Sales and services	3,460,283	3,110,283	3,016,062	(94,221)
Interest	300,000	300,000	250,585	(49,415)
Miscellaneous	80,975	102,346	172,353	70,007
Total revenues	75,028,005	75,347,204	76,381,230	1,034,026
Expenditures				
Current:				
General government	6,771,095	7,048,402	6,160,049	888,353
Public safety	10,263,330	10,730,619	10,290,235	440,384
Transportation	1,000,325	1,004,279	918,872	85,407
Environmental protection	3,431,080	3,434,831	3,132,347	302,484
Economic and physical development	2,927,440	3,513,052	2,044,335	1,468,717
Human services	16,126,055	16,402,778	14,719,500	1,683,278
Culture and recreation	3,227,800	3,319,163	3,191,895	127,268
Education	21,315,955	21,864,693	21,816,743	47,950
Debt service:				
Principal retirement	6,254,000	6,633,519	6,520,683	112,836
Interest and fees	2,299,940	2,302,311	2,280,183	22,128
Total expenditures	73,617,020	76,253,647	71,074,842	5,178,805
Revenues over (under) expenditures	1,410,985	(906,443)	5,306,388	6,212,831
Other financing sources (uses)				
Debt issuance	-	1,005,884	907,000	(98,884)
Sale of capital assets	-	10,000	53,765	43,765
Special item	-	-	1,128,496	1,128,496
Transfers in	1,877,600	2,204,600	2,319,811	115,211
Transfers out	(1,753,000)	(2,591,308)	(2,591,308)	-
Contingency reserves	(2,838,065)	(2,004,249)	-	2,004,249
Appropriated fund balance	1,302,480	2,281,516	-	(2,281,516)
Total other financing sources (uses)	(1,410,985)	906,443	1,817,764	911,321
Net change in fund balance	\$ -	\$ -	7,124,152	\$ 7,124,152
Fund balances				
Beginning			44,568,021	
Ending			<u>\$ 51,692,173</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, 2014**

	Occupancy Tax Fund			Variance With Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Other taxes:				
Occupancy taxes	\$ 4,600,000	\$ 5,250,000	\$ 5,188,730	\$ (61,270)
Occupancy taxes, penalties and interest	2,000	2,000	340	(1,660)
Interest	1,000	1,000	2,766	1,766
Total revenues	4,603,000	5,253,000	5,191,836	(61,164)
Expenditures				
Economic and physical development:				
Tourism:				
Tourism Development Authority	2,728,200	3,055,200	2,869,259	185,941
Total expenditures	2,728,200	3,055,200	2,869,259	185,941
Revenues over expenditures	1,874,800	2,197,800	2,322,577	124,777
Other financing uses				
Transfers out	(1,874,800)	(2,197,800)	(2,319,811)	(122,011)
Total other financing uses	(1,874,800)	(2,197,800)	(2,319,811)	(122,011)
Revenues over expenditures and other uses	\$ -	\$ -	2,766	\$ 2,766
Fund balances				
Beginning			82,892	
Ending			<u>\$ 85,658</u>	

See Notes to Financial Statements.



Carteret County, North Carolina

Statement of Fund Net Position - Proprietary Fund
June 30, 2014

	Water Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 762,070
Receivables, net	45,464
Restricted cash and cash equivalents	43,691
Total current assets	<u>851,225</u>
Noncurrent assets	
Capital assets:	
Land, improvements, and construction in progress	222,608
Other capital assets, net of depreciation	8,136,114
Total capital assets	<u>8,358,722</u>
Total noncurrent assets	<u>8,358,722</u>
Total assets	<u>9,209,947</u>
Liabilities	
Current liabilities	
Accounts payable and accrued expenses	34,117
Customer deposits	88,930
Accrued interest payable	11,092
Current portion of long-term liabilities	191,156
Total current liabilities	<u>325,295</u>
Noncurrent liabilities	
Installment loan payable and long-term liabilities	2,831,188
Total noncurrent liabilities	<u>2,831,188</u>
Total liabilities	<u>3,156,483</u>
Net Position	
Net investment in capital assets	5,353,434
Unrestricted	700,030
Total net position	<u>\$ 6,053,464</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, 2014

	Water Fund
Operating revenues	
Charges for services	\$ 562,238
Total operating revenues	<u>562,238</u>
Operating expenses	
Water plant operations	524,586
Depreciation	416,783
Total operating expenses	<u>941,369</u>
Operating loss	<u>(379,131)</u>
Nonoperating revenues (expenses)	
Interest revenue	3,487
Interest expense	(85,939)
Total nonoperating revenues (expenses)	<u>(82,452)</u>
Loss before contributions and transfers	(461,583)
Transfers in	300,000
Change in net position	<u>(161,583)</u>
Total net position	
Beginning	6,215,047
Ending	<u>\$ 6,053,464</u>

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2014

	<u>Water Fund</u>
Cash flows from operating activities	
Cash received from customers	\$ 563,076
Cash paid for goods and services	(274,264)
Cash paid to employees for services	(274,802)
Customer deposits received	<u>2,240</u>
Net cash provided by operating activities	<u>16,250</u>
Cash flows from noncapital financing	
Transfers in	300,000
Transfers out	<u>-</u>
Net cash provided by noncapital financing	<u>300,000</u>
Cash flows from capital and related financing activities	
Principal paid on installment debt	(171,032)
Interest paid on installment debt	(86,740)
Acquisition of capital assets	<u>(40,189)</u>
Net cash used by capital and related financing activities	<u>(297,961)</u>
Cash flows provided by investing activities	
Interest on investments	<u>3,487</u>
Net increase in cash and cash equivalents	21,776
Cash and cash equivalents:	
Beginning	<u>783,985</u>
Ending (including restricted of \$43,691)	<u>\$ 805,761</u>

(Continued)

Carteret County, North Carolina

Statement of Cash Flows - Proprietary Fund (Continued)
Year Ended June 30, 2014

	<u>Water Fund</u>
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (379,131)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	416,783
Changes in assets and liabilities:	
Decrease in accounts receivable	838
Decrease in accounts payable and accrued liabilities	(23,093)
Increase in customer deposits	2,240
Decrease in accrued vacation pay	(1,387)
Net cash provided by operating activities	<u><u>\$ 16,250</u></u>

See Notes to Financial Statements.

Carteret County, North Carolina

**Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2014**

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 220,169</u>
Liabilities	
Accounts payable and accrued liabilities	<u>\$ 220,169</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 (GAAP), 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, 2014.

Summary of significant accounting policies

The basic financial statements of Carteret County, North Carolina have been prepared in conformity with 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 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, which accounts for program revenue and expenses for the 4 H, Family and Consumer Science and Horticultural Programs.

Nonmajor Funds: The County maintains eleven nonmajor funds. The Emergency Telephone System Fund, Rescue Squad Fund, Fire District Fund, Water Tax District Fund, Salter Path District Beach Nourishment Fund, and the CDBG 2003 Scattered Site 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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, 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, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in 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 2003 CDBG Scattered Site Program), the capital projects funds (excluding the Morehead Elementary School Fund, and 2006 School Project Fund) and the Water Operating sub fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for those capital projects funds and special revenue funds which do not adopt annual budgets and water construction projects. In accordance with the Local Government Budget and Fiscal Control Act, the County follows these procedures in establishing the budgetary data reflected in the financial report:

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

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 of Resources, 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 banking 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, 2013 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, 2014:

- 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, 2014. 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 and proceeds from the former Eastern Region.

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. This action is accomplished by a formal motion and approval vote by a majority of the Board of Commissioners. The following are the County's committed fund balances as of June 30, 2014:

- 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. Only the governing board (County Board of Commissioners) has authority to assign amounts to a specific purpose, and that requires a majority vote of the governing board. The following are the County's assigned fund balances as of June 30, 2014:

- 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.

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 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 (\$29,965,569) consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	\$ 59,714,956
Less accumulated depreciation	<u>34,607,929</u>
Net capital assets	25,107,027
Deferred charges related to advance refunding bond issued - included on government-wide statement of net position but are not a current financial resources	1,970,041
Accrued interest receivable	839,240
Liabilities for deferred inflows of resources reported in the fund statements but not in the government-wide statements	3,598,313
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	(53,470,073)
Premiums on refundings	(3,100,791)
Accrued interest payable	(594,399)
Compensated absences	(1,284,191)
Accrued postemployment and retirement obligations	<u>(3,030,736)</u>
Long-term liabilities	(61,480,190)
Total adjustment	\$ (29,965,569)

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 \$3,831,259 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 874,821
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	(2,297,305)
Cost of disposed capital assets not recorded in the fund statements	(20,230)
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	(907,000)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements.	6,520,683
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.	163,470
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	(81,638)
Other postemployment benefits	(419,921)
Decrease in interest payable on long-term debt at June 30, 2014	19,093
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Decrease in deferred inflows of resources - taxes receivable - as of June 30, 2014	(53,490)
Increase in accrued interest on taxes receivable for year ended June 30, 2014	32,776
Total adjustment	\$ 3,831,259

Carteret County, North Carolina

Notes to Financial Statements

Note 2. Stewardship, Compliance, and Accountability

Component Unit information:

The ABC Board for the fiscal year ended June 30, 2014, the expenditures made in the Proprietary Fund exceeded the authorized appropriations made by the governing board for taxes based on revenues by \$186,371, for cost of goods sold by \$279,929, and distributions by \$708,225.

Note 3. Cash and Investments

Cash on hand:

The County had \$2,287 in petty cash on hand at June 30, 2014.

Component unit information:

Carteret County General Hospital had \$32,959 in cash on hand at September 30, 2013.

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, 2014, the County's deposits, excluding petty cash and agency fund deposits had a carrying amount of \$8,963,434 and a bank balance of \$9,691,481. Of the bank balance, \$4,403,450 was covered by federal depository insurance and \$5,288,031 was covered by collateral held under the Pooling Method. Restricted cash deposits, excluding agency funds, in the amount of \$2,949,234 is as follows: held in noninterest-bearing deposits for banking services in the amount of \$80,592, \$167,358 for capital projects, and the remaining \$2,701,284 is restricted for fire and rescue special taxing districts.

At June 30, 2014, the County's agency fund deposits had a carrying amount of \$220,169 and a bank balance of \$223,220. 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, 2014, the carrying amount of deposits for Tourism and Development Authority with financial institutions was \$567,839 and the bank balance was \$612,825. 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, 2014, the carrying amount of deposits and petty cash for Beaufort-Morehead City Airport Authority was \$435,513 and the bank balance was \$436,804. Of the bank balance, \$254,357 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

At September 30, 2013, the carrying amount of the Hospital's deposits and cash on hand was \$99,199,943 and the bank balance was \$101,813,833. Of the bank balance, \$2,500,000 was covered by federal depository insurance and the remainder is collateralized by the pooling method.

At June 30, 2014, the carrying amount of deposits for Carteret County ABC Board was \$1,049,662 and the bank balance was \$993,234. Of the bank balance, \$511,423 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

Investments:

At June 30, 2014, the County had the following investments and maturities.

Investment Type	Fair Value	Less Than			
		1 Year	1-5 Years	6-10 Years	11-15 Years
US Government Agencies	\$ 10,785,316	\$ 861,914	\$ 7,950,273	\$ 977,178	\$ 995,951
NC Capital Management Trust Cash Portfolio	37,366,792	37,366,792	N/A	N/A	N/A
NC Capital Management Trust Term Portfolio	396,911	396,911	-	-	-
Total	\$ 48,549,019	\$ 38,625,617	\$ 7,950,273	\$ 977,178	\$ 995,951

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 has no formal policy on managing credit risk. As of June 30, 2014, 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 Federal Home Loan Bank Securities, \$5,799,917 (11.95%). 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, 2014, the County had restricted investments in the governmental activities of \$861,914. In the General Fund there are restricted investments of \$861,914 for Qualified Zone Academy Bond debt service.

Component unit information

At June 30, 2014, the TDA had \$59,338 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, 2014:

	Governmental Activities	Business-Type Activity, Water	Total
Receivables:			
Interest	\$ 839,240	\$ -	\$ 839,240
Taxes	3,496,245	-	3,496,245
Accounts	476,257	45,464	521,721
Intergovernmental	5,418,035	-	5,418,035
Other	1,119,125	-	1,119,125
Gross receivables	11,348,902	45,464	11,394,366
Less allowance for uncollectibles	(316,579)	-	(316,579)
Net total receivables	\$ 11,032,323	\$ 45,464	\$ 11,077,787

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
2011	\$ 221,453	\$ 52,595	\$ 274,048
2012	214,052	31,573	245,625
2013	222,333	12,784	235,117
2014	234,870	-	234,870
Total	\$ 892,708	\$ 96,952	\$ 989,660

Component unit information

The Carteret County General Hospital Corporation receivables of \$27,771,777 are net of an allowance for doubtful accounts of approximately \$15,792,000. Approximately 62% 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, 2014:

	Capital Assets July 1, 2013	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2014
Governmental activities:					
Capital assets, not being depreciated:					
Land, airport	\$ 169,549	\$ -	\$ -	\$ -	\$ 169,549
Land, other	5,412,812	-	(36,677)	-	5,376,135
Construction in progress	369,351	-	(369,351)	-	-
Total capital assets not being depreciated	5,951,712	-	(406,028)	-	5,545,684
Capital assets, being depreciated:					
Buildings	27,485,901	-	-	-	27,485,901
Vehicles	5,058,950	322,026	(227,197)	-	5,153,779
Equipment	6,693,408	374,806	-	-	7,068,214
Airport facilities	1,524,747	-	-	-	1,524,747
Other improvements	9,674,876	671,327	-	-	10,346,203
Leasehold improvements	2,590,428	-	-	-	2,590,428
Total capital assets being depreciated	53,028,310	1,368,159	(227,197)	-	54,169,272
Less accumulated depreciation for:					
Buildings	16,519,569	775,422	-	-	17,294,991
Vehicles	4,062,895	374,769	(218,541)	-	4,219,123
Equipment	5,536,838	465,525	-	-	6,002,363
Airport facilities	1,519,726	5,021	-	-	1,524,747
Other improvements	4,510,770	547,047	-	-	5,057,817
Leasehold improvements	379,367	129,521	-	-	508,888
Total accumulated depreciation	32,529,165	\$ 2,297,305	\$ (218,541)	\$ -	34,607,929
Total capital assets, being depreciated, net	20,499,145				19,561,343
Governmental activity capital assets, net	\$ 26,450,857				\$ 25,107,027

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

Governmental activities:	
General government	\$ 346,129
Public Safety	829,282
Transportation	153,093
Economic & Physical Development	14,849
Human Services	337,579
Culture & Recreation	571,963
Environmental Protection	44,410
Total depreciation expense - governmental activities	\$ 2,297,305

Carteret County, North Carolina

Notes to Financial Statements

Note 5. Capital Assets (Continued)

	Capital Assets July 1, 2013	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2014
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 222,608	\$ -	\$ -	\$ -	\$ 222,608
Total capital assets, not being depreciated	222,608	-	-	-	222,608
Capital assets, being depreciated:					
Buildings	2,119,264	-	-	-	2,119,264
Infrastructure	9,618,564	-	-	-	9,618,564
Vehicles	27,792	22,857	(13,417)	(1)	37,231
Equipment	130,617	17,332	-	(1)	147,948
Total capital assets, being depreciated	11,896,237	40,189	(13,417)	(2)	11,923,007
Less accumulated depreciation for:					
Buildings	682,873	70,642	-	-	753,515
Infrastructure	2,589,608	331,035	-	-	2,920,643
Vehicles	27,791	3,049	(13,417)	(1)	17,422
Equipment	83,256	12,057	-	-	95,313
Total accumulated depreciation	3,383,528	\$ 416,783	\$ (13,417)	\$ (1)	3,786,893
Total capital assets, being depreciated, net	8,512,709				8,136,114
Business-type activities capital assets, net	\$ 8,735,317				\$ 8,358,722

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, 2013:

	Balance September 30, 2012	Additions	Retirements	Adjustment and Transfers	Balance September 30, 2013
Capital assets:					
Capital assets, not being depreciated:					
Construction in progress	\$ 42,022	\$ 3,597,223	\$ -	\$ (3,613,859)	\$ 25,386
Land	3,702,853	-	-	(265,338)	3,437,515
Total capital assets, not being depreciated	3,744,875	3,597,223	-	(3,879,197)	3,462,901
Capital assets, being depreciated:					
Land improvements	1,075,877	-	-	(216,056)	859,821
Buildings and improvements	31,816,327	-	-	(169,048)	31,647,279
Equipment	64,984,810	5,495,229	-	(318,594)	70,161,445
Total capital assets, being depreciated	97,877,014	5,495,229	-	(703,698)	102,668,545
Less accumulated depreciation:					
Land improvements	842,065	29,398	-	(125,253)	746,210
Buildings and improvements	13,907,816	1,189,583	-	(2,179,577)	12,917,822
Equipment	42,562,496	6,775,061	-	(993,820)	48,343,737
Total accumulated depreciation	57,312,377	\$ 7,994,042	\$ -	\$ (3,298,650)	62,007,769
Total capital assets, being depreciated, net	40,564,637				40,660,776
Capital assets, net	\$ 44,309,512				\$ 44,123,677

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, 2014:

Land	\$ 1,149,703
Buildings	3,099,387
Furniture and equipment	1,413,282
Leasehold improvements	90,340
Building improvements	112,352
	5,865,064
Less accumulated depreciation	2,380,228
	\$ 3,484,836

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, 2014:

Construction in progress	\$ 24,738
Land	1,516,047
Aviation easement	577,000
Equipment	77,010
Vehicle	24,066
Hangers	913,438
Land/runway improvements	8,276,144
	<u>11,408,443</u>
Less accumulated depreciation	842,148
	<u><u>\$ 10,566,295</u></u>

The following is a summary of the Carteret County Tourism and Development Authority’s capital assets at June 30, 2014:

Buildings	\$ 67,069
Other improvements	64,878
Equipment	123,836
Vehicles	19,723
	<u>275,506</u>
Less accumulated depreciation	131,678
	<u><u>\$ 143,828</u></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, 2014, were as follows:

	Vendors	Salaries and Benefits	Total
Governmental activities:			
General	\$ 1,671,543	\$ 1,296,537	\$ 2,968,080
Occupancy Tax	556,937	-	556,937
Other governmental	317,794	-	317,794
Total governmental activities (1)	\$ 2,546,274	\$ 1,296,537	\$ 3,842,811
Business-type activities:			
Water	\$ 11,723	\$ 22,394	\$ 34,117
Total business - type activities	\$ 11,723	\$ 22,394	\$ 34,117

(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 \$1,970,041. 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)	\$ -	\$ 50,835
Taxes receivable, net (General)	2,611,269	-
Taxes receivable, net (Special Revenue)	568,397	-
Solid waste fees receivable (General)	418,647	-
Total	\$ 3,598,313	\$ 50,835

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 participates in two self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$200 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, and workers' compensation coverage up to the statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of a \$500,000 retention up to a \$2 million per occurrence retention for property, and auto physical damage. For workers' compensation there is a per occurrence retention of \$750,000.

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.

Note 8. Risk Management (Continued)

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

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 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, 2014, 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%	\$ 4,210,000
\$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%	2,700,000
\$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%	13,400,000
\$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%	3,535,000
\$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>\$ 36,545,000</u>

Annual debt service requirements to maturity for general obligation bonds as of June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest
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	3,250,000	939,500
2020 – 2024	12,520,000	2,849,500
2025 – 2027	5,375,000	373,500
	<u>\$ 36,545,000</u>	<u>\$ 9,411,105</u>

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (continued)

Certificates of Participation

The County issues Certificates of Participation to finance the construction of capital facilities used for general government activities 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, 2014, 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

\$ 3,560,000

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, 2014, are as follows:

Year Ending June 30,	Principal	Interest
2015	\$ 470,000	\$ 110,550
2016	460,000	101,150
2017	455,000	91,950
2018	445,000	78,300
2019	440,000	64,950
2020-2022	1,290,000	90,050
	<u>\$ 3,560,000</u>	<u>\$ 536,950</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, 2014, 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
\$1,781,354 - Renovations of Newport Elementary School for 15 consecutive annual debt service fund installments beginning fiscal year 2009-2010, held by Galena Bank & Trust	1,206,354
\$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	5,215,000
\$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	3,076,924
\$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	1,240,394
\$407,000 Eastern Region Loan for Morehead City economic development for 59 months; 5 consecutive annual installments beginning fiscal year 2014-15 including 0% interest	407,000
\$500,000 Eastern Region Loan for Homer Smith Seafood economic development for 59 months; 5 consecutive annual installments beginning fiscal year 2014-15 including 0% interest	169,923
\$98,884 County technology for 12 months; 4 quarterly installments beginning fiscal year 2013-14; including 2% interest	49,478
	<u>13,365,073</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	279,288
\$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	1,680,000
	<u>1,959,288</u>
	<u>\$ 15,324,361</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, 2014, are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 1,655,377	\$ 407,673	\$ 171,032	\$ 53,103	\$ 1,826,409	\$ 460,776
2016	1,595,899	351,420	171,032	48,232	1,766,931	399,652
2017	1,580,899	295,880	171,032	43,360	1,751,931	339,240
2018	1,565,899	240,879	171,032	38,489	1,736,931	279,368
2019	1,555,897	186,417	171,032	33,618	1,726,929	220,035
2020 – 2024	5,411,102	332,704	824,128	95,019	6,235,230	427,723
2025 – 2028	-	-	280,000	9,261	280,000	9,261
	<u>\$ 13,365,073</u>	<u>\$ 1,814,973</u>	<u>\$ 1,959,288</u>	<u>\$ 321,082</u>	<u>\$ 15,324,361</u>	<u>\$ 2,136,055</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, 2014, are as follows:

Year Ending June 30,	Principal	Interest
2015	\$ 16,000	\$ 28,765
2016	16,000	28,325
2017	17,000	27,885
2018	17,000	27,418
2019	18,000	26,950
2020-2024	96,000	127,133
2025-2029	110,000	113,191
2030-2034	127,000	97,157
2035-2039	145,000	78,788
2040-2044	165,000	57,750
2045-2049	190,000	33,688
2050-2052	129,000	7,148
	<u>\$ 1,046,000</u>	<u>\$ 654,198</u>

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

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 of \$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. 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.

Debt Related to Capital Activities – Of the total Governmental Activities debt listed only \$1,049,478 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, 2014:

	Beginning Balance June 30, 2013	Additions	Retirements	Ending Balance June 30, 2014	Due Within One Year
Governmental activities:					
Bonds/certificates payable:					
General obligation bonds	\$ 40,605,000	\$ -	\$ 4,060,000	\$ 36,545,000	\$ 4,020,000
Certificates of participation	4,040,000	-	480,000	3,560,000	470,000
Bond premiums	3,464,917	-	364,126	3,100,791	-
Total bonds payable	48,109,917	-	4,904,126	43,205,791	4,490,000
Installment purchase obligations	14,339,872	1,005,884	1,980,683	13,365,073	1,655,377
Compensated absences	1,202,553	1,101,665	1,020,027	1,284,191	836,317
Special separation allowance pension obligations	330,096	61,328	9,830	381,594	-
Net OPEB obligation	2,280,719	645,196	276,773	2,649,142	-
Governmental activity long-term liabilities	\$ 66,263,157	\$ 2,814,073	\$ 8,191,439	\$ 60,885,791	\$ 6,981,694
Business-type activities:					
Revenue Bond	\$ 1,046,000	\$ -	\$ -	\$ 1,046,000	\$ 16,000
Installment purchase obligations	2,130,320	-	171,032	1,959,288	171,032
Compensated absences	18,443	12,500	13,887	17,056	4,124
Business-type activity long-term liabilities	\$ 3,194,763	\$ 12,500	\$ 184,919	\$ 3,022,344	\$ 191,156

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, 2014, Carteret County had bonds authorized but unissued of \$9,710,000 and a legal debt margin of \$1,169,811,660.

Component unit information:

The Hospital has several capital lease obligations for certain medical equipment and software at September 30, 2013. The leases expire at various dates through 2017 and have a present value of minimum lease payments of \$2,336,118.

Minimum annual lease payments for years subsequent to September 30, 2013, are as follows:

Year Ending September 30,	Amount
2014	\$ 590,128
2015	759,553
2016	619,995
2017	487,916
Total minimum lease payments	2,457,592
Less amount representing interest 2.67%-4.00%	(121,474)
Present value of net minimum lease obligations	2,336,118
Less current maturities	(532,043)
Obligations under capital leases, less current maturities	<u>\$ 1,804,075</u>

Assets under capital leases had a cost basis of \$3,396,941 and accumulated depreciation on these assets of \$1,488,988 at September 30, 2013.

Long-term obligations for the ABC Board as of June 30, 2014, are as follows:

Installment loan payable in the original loan amount of \$995,000 payable in monthly payments including interest at 2.40%. Balance shall be due July 19, 2022. Collateralized by real estate.	\$ 180,369
Installment loan payable in the loan amount of \$995,000 with interest payable at 2.40% monthly. Balance due July 19, 2022. Collateralized by real estate.	559,146
Installment loan payable in the loan amount of \$389,000 payable in monthly installments including interest at 2.40%, due July 19, 2022. Collateralized by real estate.	193,247
Installment loan payable in the loan amount of \$748,000 with interest payable at 2.40% monthly. Balance due July 19, 2022. Collateralized by real estate.	411,412
	<u>1,344,174</u>
Less current maturities	175,684
Long-term debt	<u><u>\$ 1,168,490</u></u>

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

Aggregate maturities of the ABC Board's long-term debt at June 30, 2014, are as follows:

Year Ending June 30,	Amount
2015	\$ 175,684
2016	179,947
2017	184,314
2018	188,787
2019 and thereafter	615,442
	<u>\$ 1,344,174</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, 2014. 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, 2014, amounted to approximately \$47,917 and the current portion of the accumulated vacation pay is not considered to be material.

The TDA had accrued compensated absences as a long-term debt at June 30, 2014, in the amount of \$14,555.

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 7.07% and 7.28%, respectively, of annual covered payroll. The ABC Board's current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.28%, 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, 2014, 2013 and 2012 were \$1,062,954, \$989,581 and \$1,023,722, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$45,212, \$45,168, and \$41,067, 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, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Active plan members	<u>55</u>
Total	<u><u>56</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.

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, 2013 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 on a level dollar closed basis. The remaining amortization period at December 31, 2013, was 17 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	\$ 71,717
Interest on net pension obligation	16,505
Adjustment to annual required contribution	(26,894)
Annual pension cost	61,328
Employer contributions made for fiscal year ended June 30, 2014	9,830
Increase in net pension obligation	51,498
Net pension obligation, beginning of fiscal year	330,096
Net pension obligation, end of fiscal year	\$ 381,594

3 Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
06/30/2012	\$ 60,966	45.90%	\$ 279,413
06/30/2013	65,583	22.72%	330,096
06/30/2014	61,328	16.03%	381,594

4. Funded Status and Funding Progress.

As of December 31, 2013, 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 \$591,778. The covered payroll (annual payroll of active employees covered by the plan) was \$2,105,444, and the ratio of the UAAL to the covered payroll was 28.11 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, 2014 were \$158,212, which consisted of \$105,256 from the County and \$52,956 from law enforcement officers. Contributions from the ABC Board for the year ended June 30, 2014 consisted of \$3,251 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, 2014, were \$911,334, which consisted of \$639,346 from the County and \$271,988 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, 2014, the County's required and actual contributions were \$8,987.

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, 2013, were approximately \$1,484,000. 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, 2013, were approximately \$692,000.

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, 2014, was \$8,176.

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, 2014 and 2013 totaling \$27,801 and \$24,894, respectively.

Notes to Financial Statements

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, 2013, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and spouses receiving benefits	24	6
Active plan members	344	53
Total	368	59

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 \$547 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 4.41% of annual covered payroll. For the current year, the County contributed \$276,773 or 1.90% 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 \$140,358. The County's obligation to contribute to the 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	\$ 641,119
Interest on net OPEB obligation	91,229
Adjustment to annual required contribution	<u>(87,152)</u>
Annual OPEB cost	645,196
Contributions made	<u>(276,773)</u>
Increase in net OPEB obligation	368,423
Net OPEB obligation, beginning of year	<u>2,280,719</u>
Net OPEB obligation, end of year	<u><u>\$ 2,649,142</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, 2014, were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 625,102	36.50%	\$ 1,882,885
2013	625,812	36.43%	2,280,719
2014	645,196	42.90%	2,649,142

Funded status and funding progress. As of December 31, 2013, 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 \$6,105,230. The covered payroll (annual payroll of active employees covered by the plan) was \$14,537,708, and the ratio of the UAAL to the covered payroll was 42.0%. 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.

Notes to Financial Statements

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, 2013, 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 7.75 percent 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, 2013, 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.

For the fiscal year ended June 30, 2014, the County made contributions to the State for death benefits of \$0. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.00% of covered payroll, respectively.

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010 was established as follows:

<u>No. Years Contributing</u>	<u>Years Relief</u>	<u>FY Contributions Resume</u>
less than 10	1	2014
10-20	2	2015
20 or more	3	2016

The period of reprieve is determined separately for law enforcement officers. Carteret County will have a three-year reprieve because it has been contributing for more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

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	\$ 44,168,752	\$ 24,367,712
TANF	279,613	(85)
WIC	936,622	-
Low Income Home Energy	185,300	-
Special Assistance	-	383,698
Adoption Subsidy	-	172,518
	\$ 45,570,287	\$ 24,923,843

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, 2014. 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, 2014. 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 for this purpose, \$3,535,000 in debt is still outstanding. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's facilities. The County contributed \$2,354,063 to the Community College during the fiscal year ended June 30, 2014. 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, 2014. 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, 2014. During the year ended June 30, 2014, the County contributed \$1,116,620 to the library in Carteret County.

Global Trans-Park Development Commission

The Global Trans-Park Development Commission ("Commission") was 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, also known as the North Carolina Eastern Region 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 was 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. Effective June 30, 2014, the NC General Assembly dissolved the NC Eastern Region Development Zone in order to reorganize the economic development efforts in a different manner. The County received a distribution of \$1,128,496 during the fiscal year ended June 30, 2014, which represented their portion of the motor vehicle tax collected in previous years and formerly used as a loan fund for the County. The purpose of these funds is restricted to economic development efforts in conjunction with entities located within the County.

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, 2014 amounted to \$116,500. Future minimum lease payments for the office lease are as follows:

Year ending June 30,	Annual Lease Payment
2015	\$ 116,500
2016	116,500
2017	116,500
2018	116,500
	<u>\$ 466,000</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, 2013, 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, 2014:

Project	Spent-To-Date	Remaining Commitment
R/W 8-26 Extension to 5000	\$ 24,735	\$ 165,252
	<u>\$ 24,735</u>	<u>\$ 165,252</u>

Carteret County, North Carolina

Notes to Financial Statements

Note 17. Interfund and Intra-Entity Receivables and Payables

Receivable Fund	Payable Fund	Amount
General Fund	Occupancy Tax Occupancy tax distribution	<u><u>\$ 476,530</u></u>

Due to/from primary government and component units:

Receivable Entity	Payable Entity	Amount
Primary government: General Fund	Component unit: Carteret County ABC Board Net income distribution due to County at June 30, 2014	<u><u>\$ 172,316</u></u>

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, 2014, are as follows:

Transfers Out	Transfers In			Total
	Major General	Other Governmental Funds	Major Water Fund	
Major General Fund	\$ -	\$ 2,591,308	\$ -	\$ 2,591,308
Major Occupancy Tax Fund	2,319,811	-	-	2,319,811
Other Governmental Funds	-	339	300,000	300,339
Total transfers out	\$ 2,319,811	\$ 2,591,647	\$ 300,000	\$ 5,211,458

Transfers consist primarily of the following:

- \$ 2,591,308** 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
- 2,319,811** Transfer from Occupancy Tax Fund in accordance with North Carolina General Statutes
- 300,000** Transfer from Water Taxing District Fund to the Water Fund to fund capital and debt service
- 339** Transfer from School Bond Project Fund due to project completion to other school capital fund

Intra-entity transactions with discretely presented component units for the year ended June 30, 2014, are as follows:

Expenditures from General Fund to Beaufort-Morehead City Airport Authority for operations and capital improvements	\$ 67,290
Expenditures from Occupancy Tax Fund to Carteret County Tourism Development Authority for portion of Room Occupancy Tax	<u>2,869,259</u>
	<u>\$ 2,936,549</u>
Profit Contributions from ABC Board to General Fund	<u>\$ 538,512</u>

Note 19. Pronouncements Issued, Not Yet Effective

The GASB has issued several pronouncements prior to June 30, 2014, 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 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 71 – "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68 should be applied simultaneously with the provisions of Statement No. 68 which will be effective for the County beginning with its year ending June 30, 2015.

Note 20. Subsequent Events

The County has evaluated its subsequent events (events occurring after June 30, 2014) through December 15, 2014 which represents the date the financial statements were available to be issued.

The County entered into a loan agreement with the Town of Morehead City on July 14, 2014. The County loaned the Town \$407,000 for economic development purposes for 59 months, level annual payments due to the County with 0% interest. The source of these funds was the NC Eastern Region Global Trans-Park Development Commission revolving loan fund for economic development. The County extended the Town the same terms that was provisioned by the NC Eastern Region Global Trans-Park Development Commission to the County.

The County entered into a loan agreement with Homer Smith Seafood on August 29, 2014. The County loaned \$169,923 for economic development purposes for 59 months, level annual payments due to the County with 0% interest. The source of these funds was the NC Eastern Region Global Trans-Park Development Commission revolving loan fund for economic development. The County extended Homer Smith Seafood the same terms that was provisioned by the NC Eastern Region Global Trans-Park Development Commission to the County.

Component Unit

Subsequent to year end, the Hospital entered into a construction commitment contract for a future expansion project. The contract has a guaranteed maximum price of approximately \$34,300,000.

Note 21. Special Item

During the year ended June 30, 2014, the NC General Assembly dissolved the Eastern Region Global Trans-Park Development Commission. The Commission was 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 portion of the trust available for distribution to Carteret County was \$1,128,496, and the purpose of these funds is restricted to economic development. The County received the \$1,128,496 restricted funds during the fiscal year due to the Commission's dissolution.



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)
12/31/2008	\$ -	\$ 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%
12/31/2013	-	591,778	591,778	0.00%	2,105,444	28.11%

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
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%
2014	71,717	13.71%

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 valuation date	December 31, 2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	17 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)
12/31/2008	\$ -	\$ 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%
12/31/2013	-	6,105,230	6,105,230	0.00%	14,537,708	42.00%

Carteret County, North Carolina

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

Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2012	\$ 622,446	36.63%
2013	622,446	36.63%
2014	641,119	43.17%

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	12/31/2013
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	7.75% - 5.00%
Year of Ultimate trend rate	2019

*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, 2014

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Revenues			
Ad valorem taxes:			
Current period	\$ 42,850,000	\$ 43,722,134	\$ 872,134
Prior years	1,375,000	1,043,191	(331,809)
Interest and penalties	271,000	388,104	117,104
	<u>44,496,000</u>	<u>45,153,429</u>	<u>657,429</u>
Other taxes:			
ABC local bottle tax	30,000	34,796	4,796
Local option sales tax	11,530,000	12,066,392	536,392
Privilege licenses	14,000	16,153	2,153
	<u>11,574,000</u>	<u>12,117,341</u>	<u>543,341</u>
Permits and fees:			
Sheriff fees	163,000	213,463	50,463
Register of deeds	1,106,000	1,014,921	(91,079)
Franchise fees	490,000	462,963	(27,037)
Building and Inspection Fees	540,000	484,332	(55,668)
Environmental health fees	250,000	285,661	35,661
Other fees	116,300	114,129	(2,171)
	<u>2,665,300</u>	<u>2,575,469</u>	<u>(89,831)</u>
Intergovernmental:			
Restricted:			
Federal and State grants	11,659,775	11,280,023	(379,752)
Lottery proceeds	700,000	700,000	-
Court facilities fees	104,500	106,721	2,221
Unrestricted:			
Beer and wine tax	165,000	171,429	6,429
Payments in lieu of taxes	-	254,147	254,147
ABC profits	415,000	538,512	123,512
Croatan National Forest	55,000	45,159	(9,841)
	<u>13,099,275</u>	<u>13,095,991</u>	<u>(3,284)</u>
Sales and services:			
Solid waste	2,477,880	2,398,662	(79,218)
Civic center fees	198,424	219,205	20,781
Other	433,979	398,195	(35,784)
	<u>3,110,283</u>	<u>3,016,062</u>	<u>(94,221)</u>
Interest	300,000	250,585	(49,415)
Miscellaneous:			
Other	102,346	172,353	70,007
	<u>102,346</u>	<u>172,353</u>	<u>70,007</u>
Total revenues	<u>75,347,204</u>	<u>76,381,230</u>	<u>1,034,026</u>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2014

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Expenditures			
General government:			
Governing body:			
Salaries and employee benefits		46,004	
Operating expenses		145,373	
Professional services		39,650	
	<u>279,854</u>	<u>231,027</u>	<u>48,827</u>
Administration:			
Salaries and employee benefits		283,839	
Operating expenses		24,291	
	<u>333,538</u>	<u>308,130</u>	<u>25,408</u>
Information systems:			
Salaries and employee benefits		466,060	
Operating expenses		633,313	
Capital outlay		111,183	
	<u>1,422,535</u>	<u>1,210,556</u>	<u>211,979</u>
Finance:			
Salaries and employee benefits		539,734	
Operating expenses		60,032	
	<u>616,381</u>	<u>599,766</u>	<u>16,615</u>
Human resources:			
Salaries and employee benefits		274,648	
Operating expenses		65,178	
	<u>392,666</u>	<u>339,826</u>	<u>52,840</u>
Tax:			
Salaries and employee benefits		851,374	
Operating expenses		87,639	
Contract services		212,816	
	<u>1,280,656</u>	<u>1,151,829</u>	<u>128,827</u>
Revaluation:			
Salaries and employee benefits		190,282	
Operating expenses		18,010	
	<u>231,528</u>	<u>208,292</u>	<u>23,236</u>
Legal:			
Professional services		61,359	
	<u>70,000</u>	<u>61,359</u>	<u>8,641</u>
Court facilities:			
Operating expenses		58,844	
	<u>68,965</u>	<u>58,844</u>	<u>10,121</u>
Elections:			
Salaries and employee benefits		250,971	
Operating expenses		140,062	
	<u>508,604</u>	<u>391,033</u>	<u>117,571</u>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2014

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Register of deeds:			
Salaries and employee benefits		253,650	
Operating expenses		142,641	
	496,923	396,291	100,632
Public buildings:			
Salaries and employee benefits		341,608	
Operating expenses		714,265	
Capital outlay		147,223	
	1,346,752	1,203,096	143,656
Total general government	7,048,402	6,160,049	888,353
Public safety:			
Sheriff:			
Salaries and employee benefits		3,296,492	
Operating expenses		869,192	
Contract services		52,534	
Capital outlay		229,065	
	4,509,644	4,447,283	62,361
Sheriff - Jail division:			
Salaries and employee benefits		1,406,056	
Operating expenses		843,173	
Contract services		247,625	
Capital outlay		28,220	
	2,527,048	2,525,074	1,974
Paramedic operations:			
Salaries and employee benefits		622,674	
Operating expenses		111,409	
	818,730	734,083	84,647
Emergency management:			
Salaries and employee benefits		222,773	
Operating expenses		67,377	
Contracted services		69,012	
Capital outlay		32,825	
	424,251	391,987	32,264
Rape crisis program:			
Salaries and employee benefits		184,149	
Operating expenses		30,791	
	230,707	214,940	15,767

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2014

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Fire Marshall:			
Salaries and employee benefits		97,649	
Operating expenses		21,129	
	<u>179,119</u>	<u>118,778</u>	<u>60,341</u>
Consolidated Communications:			
Salaries and employee benefits		1,167,569	
Operating expenses		227,609	
	<u>1,504,376</u>	<u>1,395,178</u>	<u>109,198</u>
Medical examiner:			
Professional services	<u>52,000</u>	<u>33,600</u>	<u>18,400</u>
Animal control:			
Salaries and employee benefits		177,838	
Operating expenses		251,474	
	<u>484,744</u>	<u>429,312</u>	<u>55,432</u>
Total public safety	<u>10,730,619</u>	<u>10,290,235</u>	<u>440,384</u>
Transportation:			
Harbors:			
Operating expenses	<u>27,390</u>	<u>19,892</u>	<u>7,498</u>
Beaufort-Morehead City Airport Authority	<u>83,955</u>	<u>67,290</u>	<u>16,665</u>
CCATS:			
Salaries and employee benefits		510,431	
Operating expenses		321,259	
	<u>892,934</u>	<u>831,690</u>	<u>61,244</u>
Total transportation	<u>1,004,279</u>	<u>918,872</u>	<u>85,407</u>
Environmental protection:			
Forest fire control	<u>122,170</u>	<u>96,879</u>	<u>25,291</u>
Tri-County solid waste collections	<u>2,606,625</u>	<u>2,425,746</u>	<u>180,879</u>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
 Year Ended June 30, 2014

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Public works:			
Salaries and employee benefits		367,309	
Operating expenses		220,013	
Capital outlay		22,400	
	<u>706,036</u>	<u>609,722</u>	<u>96,314</u>
Total environmental protection	3,434,831	3,132,347	302,484
Economic and physical development:			
Special appropriations:			
Economic Development Council		175,000	
Business development		29,070	
	<u>776,923</u>	<u>204,070</u>	<u>572,853</u>
Beach nourishment:			
Salaries and employee benefits		116,394	
Operating expenses		16,043	
Contract services		652,729	
	<u>1,186,175</u>	<u>785,166</u>	<u>401,009</u>
Planning and zoning:			
Salaries and employee benefits		559,791	
Operating expenses		91,277	
Contract services		43,075	
	<u>1,094,628</u>	<u>694,143</u>	<u>400,485</u>
General services:			
Salaries and employee benefits		82,461	
Operating expenses		13,753	
	<u>144,804</u>	<u>96,214</u>	<u>48,590</u>
Cooperative extension:			
Salaries and employee benefits		57,335	
Operating expenses		207,407	
	<u>310,522</u>	<u>264,742</u>	<u>45,780</u>
Total economic and physical development	3,513,052	2,044,335	1,468,717
Human Services:			
Health center:			
Salaries and employee benefits		814,802	
Operating expenses		218,357	
	<u>1,261,345</u>	<u>1,033,159</u>	<u>228,186</u>
Breast & Cervical Cancer			
Operating expenses		23,377	
	<u>25,335</u>	<u>23,377</u>	<u>1,958</u>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2014

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Dental Program			
Salaries and employee benefits		157,951	
Operating expenses		19,748	
	181,104	177,699	3,405
Communicable Diseases			
Salaries and employee benefits		113,569	
Operating expenses		1,673	
	126,778	115,242	11,536
Operating Preparedness and Response			
Salaries and employee benefits		59,169	
Operating expenses		1,029	
	60,823	60,198	625
Family Planning			
Salaries and employee benefits		144,591	
Operating expenses		55,872	
	213,190	200,463	12,727
Maternal adult and child health:			
Salaries and employee benefits		271,430	
Operating expenses		1,759	
	291,190	273,189	18,001
Child care coordination:			
Salaries and employee benefits		197,903	
Operating expenses		159	
	201,263	198,062	3,201
Women, infants, and children:			
Administration:			
Salaries and employee benefits		216,436	
Operating expenses		3,693	
	221,664	220,129	1,535
Nutrition:			
Salaries and employee benefits		42,374	
Operating expenses		169	
	44,635	42,543	2,092
Environmental health:			
Salaries and employee benefits		940,739	
Operating expenses		77,249	
Capital outlay		12,000	
	1,104,954	1,029,988	74,966
Mental health:			
Mental health center and other		198,000	
Mental health, ABC		30,000	
	228,000	228,000	-
DSS administration:			
Salaries and employee benefits		5,477,626	
Operating expenses		956,474	
Capital outlay		18,299	
	6,822,375	6,452,399	369,976

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2014

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
General assistance:			
Boarding home		113,039	
Clothing and medical expense		11,388	
Special children adoption		3,819	
Childrens Adoption Incentive		22,764	
Smart Start day care		32,588	
Miscellaneous		55,412	
	363,088	239,010	124,078
TANF Block grant:			
TANF Block grant		62,786	
Operating expenses		35,434	
	201,000	98,220	102,780
DSS special assistance	3,134,280	2,742,394	391,886
Special projects	806,063	583,040	223,023
Other human services	342,655	263,646	79,009
Veteran services:			
Salaries and employee benefits		247,409	
Operating expenses		51,115	
Contracted services		21,974	
	345,914	320,498	25,416
Senior center aging programs:			
Salaries and employee benefits		207,128	
Operating expenses		47,383	
Contract services		163,733	
	427,122	418,244	8,878
Total human services	16,402,778	14,719,500	1,683,278
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits		466,029	
Operating expenses		220,318	
Contract services		20,152	
	757,325	706,499	50,826

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2014

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Parks and recreation maintenance:			
Salaries and employee benefits		346,777	
Operating expenses		223,535	
Capital outlay		9,279	
	<u>582,322</u>	<u>579,591</u>	<u>2,731</u>
Senior center:			
Salaries and employee benefits		107,960	
Operating expenses		137,387	
Contract services		12,136	
	<u>278,661</u>	<u>257,483</u>	<u>21,178</u>
Carteret County Library:			
Appropriations to Library Systems	1,258,345	1,258,343	2
Civic center:			
Salaries and employee benefits		197,915	
Operating expenses		192,064	
	<u>442,510</u>	<u>389,979</u>	<u>52,531</u>
Total culture and recreation	<u>3,319,163</u>	<u>3,191,895</u>	<u>127,268</u>
Education:			
Public schools, current expense	19,450,000	19,462,680	(12,680)
Community college, current expense	2,130,955	2,130,955	-
Community college, capital outlay	283,738	223,108	60,630
Total education	<u>21,864,693</u>	<u>21,816,743</u>	<u>47,950</u>
Debt service:			
Principal retirement	6,633,519	6,520,683	112,836
Interest and fees	2,302,311	2,280,183	22,128
Total debt service	<u>8,935,830</u>	<u>8,800,866</u>	<u>134,964</u>
Total expenditures	<u>76,253,647</u>	<u>71,074,842</u>	<u>5,178,805</u>
Revenues over (under) expenditures	<u>(906,443)</u>	<u>5,306,388</u>	<u>6,212,831</u>
Other financing sources (uses)			
Transfers in (out):			
Debt issuance	1,005,884	907,000	(98,884)
Sale of capital assets	10,000	53,765	43,765
Special Item	-	1,128,496	1,128,496
From Occupancy Tax Fund	2,204,600	2,319,811	115,211
To School Project Fund	(1,653,000)	(1,653,000)	-
To Capital Improvement Fund	(934,775)	(934,775)	-
To Emergency Telephone System Fund	(3,533)	(3,533)	-
Contingency reserves	(2,004,249)	-	2,004,249
Appropriated fund balance	2,281,516	-	(2,281,516)
Total other financing sources (uses)	<u>906,443</u>	<u>1,817,764</u>	<u>911,321</u>
Net change in fund balance	<u>\$ -</u>	<u>7,124,152</u>	<u>\$ 7,124,152</u>
Fund balance			
Beginning		44,568,021	
Ending		<u>\$ 51,692,173</u>	

Summary of
Nonmajor Funds

Carteret County, North Carolina

Combining Balance Sheet - Nonmajor Governmental Fund Types
June 30, 2014

	Government Fund Types		
	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets			
Assets:			
Cash and investments	\$ 1,006,429	\$ 3,891,234	\$ 4,897,663
Restricted cash and investments	2,701,284	12,139	2,713,423
Receivables, net	1,079,693	-	1,079,693
Total assets	\$ 4,787,406	\$ 3,903,373	\$ 8,690,779
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 286,734	\$ 31,060	\$ 317,794
Total liabilities	286,734	31,060	317,794
Deferred inflows of resources	568,397	-	568,397
Fund balances:			
Restricted:			
Public safety	688,078	-	688,078
Economic development	171,557	-	171,557
Rescue protection	713,377	-	713,377
Fire protection	1,723,198	-	1,723,198
School capital	-	12,139	12,139
Committed:			
Economic development	-	732,706	732,706
County Capital Improvements	-	403,529	403,529
School capital	-	903,468	903,468
Assigned:			
Subsequent year's expenditures	636,065	815,000	1,451,065
County capital	-	1,005,471	1,005,471
Total fund balances	3,932,275	3,872,313	7,804,588
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,787,406	\$ 3,903,373	\$ 8,690,779

Carteret County, North Carolina

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
 Nonmajor Governmental Fund Types
 Year Ended June 30, 2014

	Government Fund Types		
	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues			
Ad valorem taxes	\$ 5,788,477	\$ -	\$ 5,788,477
Other taxes	1,574,478	-	1,574,478
Intergovernmental	529,637	-	529,637
Interest	17,359	14,666	32,025
Total revenues	7,909,951	14,666	7,924,617
Expenditures			
Current:			
Public safety	7,831,820	-	7,831,820
Economic and physical development	8,634	-	8,634
Capital outlay	-	2,837,981	2,837,981
Total expenditures	7,840,454	2,837,981	10,678,435
Revenues over (under) expenditures	69,497	(2,823,315)	(2,753,818)
Other financing sources (uses)			
Transfers in	3,533	2,588,114	2,591,647
Transfers out	(300,000)	(339)	(300,339)
Total other financing sources (uses)	(296,467)	2,587,775	2,291,308
Net change in fund balance	(226,970)	(235,540)	(462,510)
Fund balances			
Beginning	4,159,245	4,107,853	8,267,098
Ending	\$ 3,932,275	\$ 3,872,313	\$ 7,804,588

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, 2014

	Rescue Squad Fund	Fire District Fund	Emergency Telephone System Fund
Assets			
Cash and investments	\$ -	\$ -	\$ 858,310
Restricted cash and investments	999,429	1,701,855	-
Receivables:			
Property taxes receivable, net	192,762	351,264	-
Accounts receivable	154,994	289,209	43,492
Total assets	\$ 1,347,185	\$ 2,342,328	\$ 901,802
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 130,371	\$ 140,506	\$ 15,694
Total liabilities	130,371	140,506	15,694
Deferred inflows of resources	192,762	351,264	-
Fund balances:			
Restricted:			
Public safety	-	-	688,078
Economic development	-	-	-
Rescue protection	713,377	-	-
Fire protection	-	1,723,198	-
Assigned:			
Subsequent year's expenditures	310,675	127,360	198,030
Unassigned:	-	-	-
Total fund balances	1,024,052	1,850,558	886,108
Total liabilities, deferred inflows of resources and fund balances	\$ 1,347,185	\$ 2,342,328	\$ 901,802

Salter Path District Fund	Water Tax District Fund	Totals
\$ 37,212	\$ 110,907	\$ 1,006,429
-	-	2,701,284
-	24,371	568,397
475	23,126	511,296
\$ 37,687	\$ 158,404	\$ 4,787,406

\$ -	\$ 163	\$ 286,734
-	163	286,734
-	24,371	568,397

-	-	688,078
37,687	133,870	171,557
-	-	713,377
-	-	1,723,198
-	-	636,065
-	-	-
37,687	133,870	3,932,275
\$ 37,687	\$ 158,404	\$ 4,787,406

Carteret County, North Carolina

Nonmajor Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2014

	Rescue Squad Fund	Fire District Fund	Emergency Telephone System Fund
Revenues			
Ad valorem taxes	\$ 1,911,834	\$ 3,586,240	\$ -
Other taxes	524,334	971,794	-
Intergovernmental	-	-	521,906
Interest	5,507	7,575	3,580
Total revenues	2,441,675	4,565,609	525,486
Expenditures			
Public safety	2,805,379	4,616,780	409,661
Economic and physical development	-	-	-
Total expenditures	2,805,379	4,616,780	409,661
Revenues over (under) expenditures	(363,704)	(51,171)	115,825
Other financing source (uses)			
Transfers in	-	-	3,533
Transfers out	-	-	-
Total other financing uses	-	-	3,533
Revenues and other financing sources over (under) expenditures and other financing uses	(363,704)	(51,171)	119,358
Fund balances			
Beginning	1,387,756	1,901,729	766,750
Ending	\$ 1,024,052	\$ 1,850,558	\$ 886,108

Salter Path District Fund	Water Tax District Fund	CDBG 2003 Scatter Site	Totals
\$ 6,218	\$ 284,185	\$ -	\$ 5,788,477
1,693	76,657	-	1,574,478
-	-	7,731	529,637
146	551	-	17,359
8,057	361,393	7,731	7,909,951
-	-	-	7,831,820
-	903	7,731	8,634
-	903	7,731	7,840,454
8,057	360,490	-	69,497
-	-	-	3,533
-	(300,000)	-	(300,000)
-	(300,000)	-	(296,467)
8,057	60,490	-	(226,970)
29,630	73,380	-	4,159,245
\$ 37,687	\$ 133,870	\$ -	\$ 3,932,275

Carteret County, North Carolina

Rescue Squad Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes	\$ 1,810,875	\$ 1,911,834	\$ 100,959
Other taxes:			
Local option sales tax	497,500	524,334	26,834
Interest	-	5,507	5,507
Total revenues	2,308,375	2,441,675	133,300
Expenditures			
Public safety:			
Beaufort	706,850	706,695	155
Broad and Gales Creek	217,490	217,441	49
Mill Creek	72,950	72,924	26
Mitchell Village	99,640	99,602	38
Otway	153,260	153,206	54
Sea Level	162,555	162,507	48
Western Carteret	398,130	398,059	71
District reserves	508,340	508,340	-
Local sales tax	497,500	486,605	10,895
Total expenditures	2,816,715	2,805,379	11,336
Revenues under expenditures	(508,340)	(363,704)	(144,636)
Other financing sources			
Appropriated fund balance	508,340	-	(508,340)
Revenues and other financing sources under expenditures	\$ -	(363,704)	\$ (363,704)
Fund balances			
Beginning		1,387,756	
Ending		<u>\$ 1,024,052</u>	

Carteret County, North Carolina

Fire District Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes	\$ 3,400,055	\$ 3,586,240	\$ 186,185
Other taxes:			
Local option sales tax	854,500	971,794	117,294
Interest	-	7,575	7,575
Total revenues	4,254,555	4,565,609	311,054
Expenditures			
Public safety:			
Fire Districts:			
Atlantic	74,830	74,814	16
Beaufort	319,880	319,801	79
Broad and Gales Creek	217,490	217,441	49
Cedar Island	46,490	46,460	30
Davis	63,440	63,413	27
Harkers Island	240,840	240,805	35
Harlowe	77,175	77,145	30
Marshallberg	197,960	197,889	71
Mill Creek	27,495	27,488	7
Mitchell Village, Crab Point	251,835	251,750	85
Newport	308,220	308,078	142
North River	49,980	49,974	6
Otway	183,735	183,694	41
Salter Path	56,365	56,367	(2)
Sea Level	47,435	47,433	2
South River	111,835	111,814	21
Stacy	21,345	21,336	9
Stella	86,265	86,250	15
Wildwood	444,290	444,210	80
Western Carteret	549,790	549,662	128
District reserves	412,360	389,000	23,360
Local sales tax	854,500	851,956	2,544
Total expenditures	4,643,555	4,616,780	26,775
Revenues over (under) expenditures	(389,000)	(51,171)	337,829
Other financing sources			
Appropriated fund balance	389,000	-	(389,000)
Revenues and other financing sources under expenditures	\$ -	(51,171)	\$ (51,171)
Fund balances			
Beginning		1,901,729	
Ending		<u>\$ 1,850,558</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, 2014

	Budget	Actual	Variance Positive (Negative)
Revenues			
Intergovernmental	\$ 521,900	\$ 521,906	\$ 6
Interest	-	3,580	3,580
Total revenues	521,900	525,486	3,586
Expenditures			
Public safety:			
Operating expenses	321,900	289,136	32,764
Contracted services	135,000	67,447	67,553
Capital outlay	60,300	53,078	7,222
Total expenditures	517,200	409,661	107,539
Revenues over expenditures	4,700	115,825	111,125
Other financing sources			
Transfer In	3,533	3,533	-
Contingency	(8,233)	-	8,233
Total other financing sources	(4,700)	3,533	8,233
Revenues and other financing sources over expenditures	\$ -	119,358	\$ 119,358
Fund balances			
Beginning		766,750	
Ending		<u>\$ 886,108</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, 2014

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes	\$ 6,300	\$ 6,218	\$ (82)
Other taxes:			
Local option sales tax	3,000	1,693	(1,307)
Interest	-	146	146
Total revenues	9,300	8,057	(1,243)
Expenditures			
Economic and physical development:			
Beach nourishment	9,300	-	9,300
Total expenditures	9,300	-	9,300
Revenues over expenditures	\$ -	8,057	\$ 8,057
Fund balances			
Beginning		29,630	
Ending		<u>\$ 37,687</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, 2014

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes	\$ 260,000	\$ 284,185	\$ 24,185
Other taxes:			
Local option sales tax	55,000	76,657	21,657
Interest	-	551	551
Total revenues	315,000	361,393	46,393
Expenditures			
Economic and Physical Development:			
Operating expenses	-	903	(903)
Total expenditures	-	903	(903)
Revenues over expenditures	315,000	360,490	45,490
Other financing uses			
Transfers out	(300,000)	(300,000)	-
Contingency	(15,000)	-	15,000
Total other financing uses	(315,000)	(300,000)	15,000
Revenues over other financing uses	\$ -	60,490	\$ 60,490
Fund balances			
Beginning		73,380	
Ending		<u>\$ 133,870</u>	

Carteret County, North Carolina

CDBG 2003 Scatter Site Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and the Year Ended June 30, 2014

	Total Project Estimate	Actual		
		Prior Years	Current Year	Total to Date
Revenues				
Intergovernmental:				
Community Development Block Grant	\$ 225,000	\$ -	\$ 7,731	\$ 7,731
Total revenues	225,000	-	7,731	7,731
Expenditures				
Economic and Physical Development:				
C-1 Rehabilitation	182,700	-	250	250
C-1 Administration	20,300	-	7,481	7,481
L-1 Rehabilitation	20,000	-	-	-
L-1 Administration	2,000	-	-	-
Total expenditures	225,000	-	7,731	7,731
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, 2014

	County Capital Reserve Fund	County Capital Improvements Fund	School Special Projects Fund
Assets			
Cash and investments	\$ 732,706	\$ 2,226,468	\$ 888,245
Restricted cash and investments	-	-	-
Total assets	\$ 732,706	\$ 2,226,468	\$ 888,245
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ 2,468	\$ 28,592
Total liabilities	-	2,468	28,592
Fund balances :			
Restricted:			
School capital	-	-	-
Committed:			
Economic development	732,706	-	-
Taylor Extended Care	-	403,529	-
School capital	-	-	859,653
Assigned:			
Subsequent year's expenditures	-	815,000	-
County capital	-	1,005,471	-
Total fund balances	732,706	2,224,000	859,653
Total liabilities and fund balances	\$ 732,706	\$ 2,226,468	\$ 888,245

**Morehead
Elementary
School**

Fund	Totals
\$ 43,815	\$ 3,891,234
12,139	12,139
<u>\$ 55,954</u>	<u>\$ 3,903,373</u>

\$ -	\$ 31,060
-	31,060

12,139	12,139
-	732,706
-	403,529
43,815	903,468
-	815,000
-	1,005,471
<u>55,954</u>	<u>3,872,313</u>
<u>\$ 55,954</u>	<u>\$ 3,903,373</u>

Carteret County, North Carolina

Nonmajor Capital Projects Fund

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2014

	County Capital Reserve Fund	County Capital Improvements Fund	School Special Projects Fund
Revenues			
Interest	\$ 3,032	\$ 8,070	\$ 3,541
Total revenues	3,032	8,070	3,541
Expenditures			
Capital outlay	-	519,191	2,303,291
Revenues over (under) expenditures	3,032	(511,121)	(2,299,750)
Other financing sources (uses)			
Transfers in	-	934,775	1,653,339
Transfers out	-	-	-
Total other financing sources (uses)	-	934,775	1,653,339
Revenues and other financing sources over (under) expenditures and other financing uses	3,032	423,654	(646,411)
Fund balances			
Beginning	729,674	1,800,346	1,506,064
Ending	\$ 732,706	\$ 2,224,000	\$ 859,653

2006 School Project Fund	Morehead Elementary School Fund	Totals
\$ (1)	\$ 24	\$ 14,666
(1)	24	14,666
-	15,499	2,837,981
(1)	(15,475)	(2,823,315)
-	-	2,588,114
(339)	-	(339)
(339)	-	2,587,775
(340)	(15,475)	(235,540)
340	71,429	4,107,853
\$ -	\$ 55,954	\$ 3,872,313

Carteret County, North Carolina

County Capital Reserve Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2014

	Budget	Actual	Variance Positive
Revenues			
Interest	\$ -	\$ 3,032	\$ 3,032
Revenues over expenditures	<u>\$ -</u>	<u>3,032</u>	<u>3,032</u>
Fund balances			
Beginning		729,674	
Ending		<u>\$ 732,706</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, 2014

	Budget	Actual	Variance Positive (Negative)
Revenues			
Interest	\$ 1,695	\$ 8,070	\$ 6,375
Total revenues	1,695	8,070	6,375
Expenditures			
Capital outlay:			
Aerial Pictometry	63,695	63,695	-
Strategic plans	90,000	63,000	27,000
Waterway dredging	84,775	84,775	-
Taylor Extended Care Improvements	500,000	96,471	403,529
Park lighting	215,000	211,250	3,750
Capital outlay	700,000	-	700,000
Total expenditures	1,653,470	519,191	1,134,279
Revenues under expenditures	(1,651,775)	(511,121)	1,140,654
Other financing sources			
Transfer from General Fund	934,775	934,775	-
Fund Balance Appropriated	717,000	-	(717,000)
Total other financing sources	1,651,775	934,775	(717,000)
Revenues and other financing sources over expenditures	\$ -	423,654	\$ 423,654
Fund balances			
Beginning		1,800,346	
Ending		\$ 2,224,000	

Carteret County, North Carolina

School Special Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
Revenues			
Interest	\$ -	\$ 3,541	\$ 3,541
Total revenues	<u>-</u>	<u>3,541</u>	<u>3,541</u>
Expenditures			
Capital outlay, Board of Education	<u>3,107,622</u>	<u>2,303,291</u>	<u>804,331</u>
Revenues under expenditures	<u>(3,107,622)</u>	<u>(2,299,750)</u>	<u>807,872</u>
Other financing sources			
Transfer from other funds	1,653,340	1,653,339	(1)
Fund balance appropriated	<u>1,454,282</u>	-	<u>(1,454,282)</u>
Total other financing sources	<u>3,107,622</u>	<u>1,653,339</u>	<u>(1,454,283)</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>(646,411)</u>	<u>\$ (646,411)</u>
Fund balances			
Beginning		<u>1,506,064</u>	
Ending		<u>\$ 859,653</u>	

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, 2014

	Total Project Estimate	Actual		
		Prior Years	Current Year	Total to Date
Revenues				
Intergovernmental	\$ 35,690	\$ 35,693	\$ -	\$ 35,693
Interest	77,010	77,606	24	77,630
Total revenues	112,700	113,299	24	113,323
Expenditures				
Capital outlay:				
Building Improvements Morehead	2,112,700	2,041,871	15,499	2,057,370
Building Improvements Newport	1,781,354	1,781,353	-	1,781,353
Total expenditures	3,894,054	3,823,224	15,499	3,838,723
Revenues under expenditures	(3,781,354)	(3,709,925)	(15,475)	(3,725,400)
Other financing sources				
Long-term debt issued	3,781,354	3,781,354	-	3,781,354
Revenues and other financing sources over (under) expenditures	\$ -	\$ 71,429	(15,475)	\$ 55,954
Fund balances				
Beginning			71,429	
Ending			<u>\$ 55,954</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, 2014

	Amended Project Estimate	Prior Years	Actual	
			Current Year	Total to Date
Revenues				
Interest	\$ 2,778,022	\$ 2,778,378	\$ (1)	\$ 2,778,377
Sales Tax Refunds	822,860	822,862	-	822,862
State Bond Proceeds	9,195	9,195	-	9,195
Total revenues	3,610,077	3,610,435	(1)	3,610,434
Expenditures				
Current:				
Atlantic Elementary School	1,289,054	1,289,059	-	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	8,563,253	-	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	1,396,540	-	1,396,540
West Carteret High School	5,958,592	5,958,586	-	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	591,638	-	591,638
Issuance cost	207,679	207,680	-	207,680
Total expenditures	45,230,265	45,230,263	-	45,230,263
Revenues under expenditures	(41,620,188)	(41,619,828)	(1)	(41,619,829)
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	(2,254,702)	(2,254,362)	(339)	(2,254,701)
Total other financing sources (uses)	41,620,188	41,620,168	(339)	41,619,829
Revenues over (under) expenditures and other sources	\$ -	\$ 340	(340)	\$ -
Fund balances:				
Beginning			340	
Ending			\$ -	

Enterprise Funds

Carteret County, North Carolina

Water Operating Fund

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
Revenues, Operating			
Charges for services	\$ 583,260	\$ 562,238	\$ (21,022)
Total operating revenues	583,260	562,238	(21,022)
Expenditures, Operating			
Cost of sales and services:			
Salaries and benefits	283,920	275,382	8,538
Operating expense	277,315	250,591	26,724
Total operating expenditures	561,235	525,973	35,262
Operating revenues over operating expenditures	22,025	36,265	14,240
Nonoperating Revenues (Expenditures)			
Interest earnings	1,015	3,487	2,472
Interest payments	(94,195)	(86,740)	7,455
Principal payments	(218,820)	(171,032)	47,788
Capital outlay	(40,185)	(40,189)	(4)
Total nonoperating revenues (expenditures)	(352,185)	(294,474)	57,711
Revenues under expenditures	(330,160)	(258,209)	71,951
Other Financing Sources			
Transfer from other funds	300,000	300,000	-
Appropriated fund balance	30,160	-	(30,160)
Total other financing sources	330,160	300,000	(30,160)
Revenues and other financing sources over expenditures	\$ -	\$ 41,791	\$ 41,791

Reconciliation of modified accrual basis to full accrual basis:

Revenues and other financing uses over expenditures	\$ 41,791
Decrease in debt interest accrued	801
Decrease in accrued vacation pay	1,387
Depreciation	(416,783)
Principal on debt	171,032
Capital outlay	40,189
Change in net position	\$ (161,583)



Agency Funds



Carteret County, North Carolina

Agency Funds

Combining Statement of Changes in Fiduciary Net Position
June 30, 2014

	Sheriff's Department Fund	Social Services Trust Fund	Deed of Trust Agency	Cooperative Extension Agency	Totals
Assets					
Cash	\$ 46,035	\$ 135,311	\$ 6,485	\$ 32,338	\$ 220,169
Liabilities					
Accounts payable and accrued liabilities	\$ 46,035	\$ 135,311	\$ 6,485	\$ 32,338	\$ 220,169

Carteret County, North Carolina

Agency Funds

**Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2014**

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Sheriff's Department Fund:				
Assets, cash	\$ 35,353	\$ 538,871	\$ 528,189	\$ 46,035
Liabilities	\$ 35,353	\$ 538,871	\$ 528,189	\$ 46,035
Social Services Trust Fund:				
Assets, cash	\$ 34,487	\$ 258,646	\$ 157,822	\$ 135,311
Liabilities	\$ 34,487	\$ 258,646	\$ 157,822	\$ 135,311
Motor Vehicle Agency:				
Assets, cash	\$ 1,424	\$ -	\$ 1,424	\$ -
Liabilities	\$ 1,424	\$ -	\$ 1,424	\$ -
Deed of Trust Agency:				
Assets, cash	\$ 6,653	\$ 72,106	\$ 72,274	\$ 6,485
Liabilities	\$ 6,653	\$ 72,106	\$ 72,274	\$ 6,485
Cooperative Extension Agency:				
Assets, cash	\$ 34,360	\$ 20,790	\$ 22,812	\$ 32,338
Liabilities	\$ 34,360	\$ 20,790	\$ 22,812	\$ 32,338
Totals - All Agency Funds:				
Assets, cash	\$ 112,277	\$ 890,413	\$ 782,521	\$ 220,169
Liabilities:				
Accounts payable and accrued liabilities	\$ 112,277	\$ 890,413	\$ 782,521	\$ 220,169



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, 2014**

	2014	2013
Governmental funds capital assets:		
Land, airport	\$ 169,549	\$ 169,549
Land, other	5,376,135	5,412,812
Construction in progress	-	369,351
Buildings	27,485,901	27,485,901
Vehicles	5,153,779	5,058,950
Equipment	7,068,214	6,693,408
Airport facilities	1,524,747	1,524,747
Other improvements	10,346,203	9,674,876
Leasehold improvements	2,590,428	2,590,428
Total governmental funds capital assets	\$ 59,714,956	\$ 58,980,022
Investment in governmental funds capital assets		
General Fund	\$ 54,096,373	\$ 53,572,689
Capital Project Funds	5,618,583	5,407,333
Total investment in governmental funds capital assets	\$ 59,714,956	\$ 58,980,022

Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity

June 30, 2014

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	-	-	-	982,554
Public Buildings	1,518,914	7,554,613	213,343	18,230
Other	-	-	-	22,259
Total General Government	1,697,295	7,708,378	300,080	2,084,750
Public Safety:				
Law Enforcement	417,991	8,614,309	1,547,556	386,765
Emergency Services	43,000	16,850	418,513	3,290,633
Total Public Safety	460,991	8,631,159	1,966,069	3,677,398
Transportation	169,549	-	1,113,294	-
Environmental Protection	153,875	64,308	445,477	346,272
Economic and Physical Development	111,178	-	178,656	131,523
Human Services	303,776	7,248,928	868,546	506,479
Culture and Recreation	2,649,020	3,833,128	281,657	321,792
Total governmental funds capital assets	\$ 5,545,684	\$ 27,485,901	\$ 5,153,779	\$ 7,068,214

Airport Facilities	Other Improvements	Leasehold Improvements	Total
\$ -	\$ -	\$ -	\$ 25,802
-	-	-	674,802
-	16,000	-	290,744
-	-	-	505,242
-	116,944	-	1,099,498
-	2,514,362	-	11,819,462
-	-	-	22,259
-	2,647,306	-	14,437,809
-	589,491	-	11,556,112
-	-	1,108,727	4,877,723
-	589,491	1,108,727	16,433,835
1,524,747	41,142	-	2,848,732
-	97,560	-	1,107,492
-	-	-	421,357
-	30,000	-	8,957,729
-	6,940,704	1,481,701	15,508,002
\$ 1,524,747	\$ 10,346,203	\$ 2,590,428	\$ 59,714,956

Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes by Function and Activity
Year Ended June 30, 2014

Function and Activity	Governmental Funds Capital Assets				Governmental Funds Capital Assets
	June 30, 2013	Additions	Deductions	Transfers	June 30, 2014
General Government:					
County administration	\$ 25,802	\$ -	\$ -	\$ -	\$ 25,802
Tax administration	674,802	-	-	-	674,802
Register of Deeds	290,744	-	-	-	290,744
Elections	505,242	-	-	-	505,242
Information technology	889,431	210,067	-	-	1,099,498
Public buildings	11,692,166	516,574	389,278	-	11,819,462
Other	22,259	-	-	-	22,259
Total General Government	14,100,446	726,641	389,278	-	14,437,809
Public Safety:					
Law enforcement	11,461,879	257,285	163,052	-	11,556,112
Emergency services	4,811,815	97,589	-	(31,681)	4,877,723
Total Public Safety	16,273,694	354,874	163,052	(31,681)	16,433,835
Transportation	2,848,732	-	-	-	2,848,732
Environmental protection	1,084,212	35,817	44,218	31,681	1,107,492
Economic and physical development	421,357	-	-	-	421,357
Human services	8,927,431	30,298	-	-	8,957,729
Culture and recreation	15,324,150	220,529	36,677	-	15,508,002
Total governmental funds capital assets	\$ 58,980,022	\$ 1,368,159	\$ 633,225	\$ -	\$ 59,714,956

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, 2014

Fiscal Year	Uncollected Balance June 30, 2013	Additions	Collections	Adjustments	Uncollected Balance June 30, 2014
2013-2014	\$ -	\$ 44,863,630	\$ 43,722,134	\$ (55,276)	\$ 1,086,220
2012-2013	1,213,123	-	617,174	(3,383)	592,566
2011-2012	567,881	-	178,596	9,637	398,922
2010-2011	386,402	-	119,131	1,320	268,591
2009-2010	257,162	-	55,614	(4,180)	197,368
2008-2009	180,933	-	36,469	(2,160)	142,304
2007-2008	105,965	-	15,526	(1,505)	88,934
2006-2007	153,466	-	13,487	(59,315)	80,664
2005-2006	95,442	-	4,808	(80,778)	9,856
2004-2005	34,072	-	2,386	(25,855)	5,831
2003-2004	2,454	-	-	-	2,454
	<u>\$ 2,996,900</u>	<u>\$ 44,863,630</u>	<u>\$ 44,765,325</u>	<u>\$ (221,495)</u>	<u>2,873,710</u>
Less write-off 2003-2004 tax year					<u>(2,454)</u>
					<u>2,871,256</u>
Less allowance for uncollectible ad valorem taxes receivable					<u>259,987</u>
Net property taxes receivable - General Fund					<u><u>\$ 2,611,269</u></u>
Reconcilement with revenue: Ad valorem taxes - General Fund					<u><u>\$ 44,765,325</u></u>

Carteret County, North Carolina

Analysis of Current Year's Tax Levy
Year Ended June 30, 2014

	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	\$ 15,257,301,724	0.29	\$ 44,246,175	\$ 42,538,210	\$ 1,707,965
Motor vehicles taxes at prior year's rate	212,915,517	0.29	617,455	-	617,455
Total	15,470,217,241		44,863,630	42,538,210	2,325,420
Discoveries:					
Current year taxes	20,334,138		58,969	51,786	7,183
Corrections	(2,041,379)		(5,920)	6,203	(12,123)
Total	18,292,759		53,049	57,989	(4,940)
Abatements	(37,353,448)		(108,325)	(74,217)	(34,108)
Total property valuation	\$ 15,451,156,552				
Net levy-General Fund			44,808,354	42,521,982	2,286,372
Uncollected taxes at June 30, 2014 - General Fund			1,086,220	1,007,597	78,623
Current year's taxes collected - General Fund			\$ 43,722,134	\$ 41,514,385	\$ 2,207,749
Current levy collection percentage - General Fund			97.58%	97.63%	96.56%



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	180
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 financial reports ("CAFR") 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)**

	2005	2006	2007	2008
Governmental activities				
Net investment in capital assets	\$ 21,956,051	\$ 23,399,525	\$ 22,287,747	\$ 21,792,965
Restricted	3,437,892	4,154,799	7,127,547	10,233,675
Unrestricted	(21,493,929)	(13,945,342)	(12,037,832)	(24,226,402)
Total governmental activities net position	\$ 3,900,014	\$ 13,608,982	\$ 17,377,462	\$ 7,800,238
Business-type activities				
Net investment in capital assets	\$ 3,903,915	\$ 3,630,795	\$ 3,665,231	\$ 3,557,690
Unrestricted	(110,733)	192,739	392,417	548,951
Total business-type activities	\$ 3,793,182	\$ 3,823,534	\$ 4,057,648	\$ 4,106,641
Primary government				
Net investment in capital assets	\$ 25,859,966	\$ 27,030,320	\$ 25,952,978	\$ 25,350,655
Restricted	3,437,892	4,154,799	7,127,547	10,233,675
Unrestricted	(21,604,662)	(13,752,603)	(11,645,415)	(23,677,451)
Total primary government net position	\$ 7,693,196	\$ 17,432,516	\$ 21,435,110	\$ 11,906,879

Schedule 1

2009	2010	2011	2012	2013	2014
\$ 22,484,382	\$ 24,050,669	\$ 26,022,027	\$ 26,469,612	\$ 25,250,857	\$ 23,480,626
13,043,008	15,431,921	24,524,242	24,685,705	17,586,592	20,852,514
(28,471,360)	(32,695,396)	(41,158,484)	(33,049,640)	(23,716,266)	(14,716,290)
\$ 7,056,030	\$ 6,787,194	\$ 9,387,785	\$ 18,105,677	\$ 19,121,183	\$ 29,616,850
\$ 3,634,160	\$ 4,098,772	\$ 4,079,804	\$ 5,416,107	\$ 5,558,997	\$ 5,353,434
553,518	190,973	516,359	(851,225)	656,050	700,030
\$ 4,187,678	\$ 4,289,745	\$ 4,596,163	\$ 4,564,882	\$ 6,215,047	\$ 6,053,464
\$ 26,118,542	\$ 28,149,441	\$ 30,101,831	\$ 31,885,719	\$ 30,809,854	\$ 28,834,060
13,043,008	15,431,921	24,524,242	24,685,705	17,586,592	20,852,514
(27,917,842)	(32,504,423)	(40,642,125)	(33,900,865)	(23,060,216)	(14,016,260)
\$ 11,243,708	\$ 11,076,939	\$ 13,983,948	\$ 22,670,559	\$ 25,336,230	\$ 35,670,314

Carteret County, North Carolina

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

	2005	2006	2007	2008
Expenses				
Governmental activities:				
General government	\$ 4,759,100	\$ 4,996,540	\$ 6,133,328	\$ 6,254,064
Public safety	12,715,313	13,459,003	14,263,740	16,381,281
Transportation	690,254	710,225	979,342	892,718
Economic and physical development	6,274,478	5,571,720	5,543,270	4,848,724
Environmental protection	2,565,112	3,362,113	2,916,754	2,914,590
Human Services	14,295,871	14,971,013	15,939,574	16,656,957
Cultural and recreation	2,461,256	2,910,221	2,990,410	3,355,687
Education	21,085,306	21,224,743	30,048,298	47,189,262
Interest on long term debt	2,373,932	2,281,034	2,934,102	3,690,063
Total governmental activities	67,220,622	69,486,612	81,748,818	102,183,346
Business-type activities:				
Water	420,599	607,483	728,319	813,171
Total primary government expenses	\$ 67,641,221	\$ 70,094,095	\$ 82,477,137	\$ 102,996,517

(Continued)

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 6,558,268	\$ 6,369,989	\$ 6,290,765	\$ 5,926,629	\$ 5,946,901	\$ 6,442,611
16,599,129	16,919,404	19,094,741	17,566,816	18,335,600	18,792,650
858,784	907,113	1,107,365	1,288,106	2,447,821	1,076,768
5,207,919	4,469,445	4,925,627	6,917,827	12,020,756	5,031,505
3,105,363	3,130,735	3,274,042	4,032,723	3,150,593	3,158,629
16,302,247	15,071,578	15,713,990	15,880,099	15,277,891	15,324,864
3,182,526	4,198,808	2,108,234	3,469,307	3,485,610	3,783,152
35,465,104	31,982,375	28,623,466	25,368,980	25,364,930	24,135,533
3,493,485	3,197,911	3,087,406	2,794,930	2,095,322	2,097,621
90,772,825	86,247,358	84,225,636	83,245,417	88,125,424	79,843,333
934,919	798,432	849,324	815,298	909,307	1,027,308
\$ 91,707,744	\$ 87,045,790	\$ 85,074,960	\$ 84,060,715	\$ 89,034,731	\$ 80,870,641

Carteret County, North Carolina

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

	2005	2006	2007	2008
Program Revenues				
Governmental activities				
Charges for services:				
General government	\$ 2,480,824	\$ 3,328,301	\$ 2,136,825	\$ 1,917,552
Public safety	314,680	227,728	197,975	232,885
Transportation	74,164	86,527	93,686	86,039
Economic and physical development	659,399	832,350	909,245	650,171
Environmental protection	1,305,582	2,136,283	2,209,037	2,229,849
Human services	417,154	557,621	616,532	564,816
Cultural and recreation	220,576	238,638	287,314	222,019
Operating grants and contributions:				
General government	436,969	234,518	375,440	52,670
Public safety	644,075	795,183	414,350	736,971
Transportation	154,036	268,667	377,847	315,952
Economic and physical development	1,966,971	256,175	1,394,075	82,939
Environmental protection	52,000	573,220	-	342,511
Human services	7,115,185	6,975,699	7,595,165	8,637,735
Cultural and recreation	17,675	-	1,680	1,165
Education	470,259	506,611	160,871	290,335
Interest on long term debt	-	-	850,000	850,000
Capital grants and contributions:				
Public safety	-	191,221	-	-
Transportation	-	143,313	-	63,694
Economic and physical development	-	508,607	-	-
Cultural and recreation	-	48,641	-	-
Education	-	-	-	-
Total governmental activities program revenues	16,329,549	17,909,303	17,620,042	17,277,303

(Continued)

Fiscal Year									
2009	2010	2011	2012	2013	2014				
\$ 1,561,770	\$ 1,477,628	\$ 1,486,751	\$ 1,642,152	\$ 1,638,250	\$ 1,552,817				
174,213	162,804	186,134	173,546	308,908	293,299				
95,664	125,360	327,244	225,239	184,316	193,228				
414,507	435,466	511,550	575,489	611,160	513,351				
2,247,269	2,243,091	2,214,925	2,189,986	2,198,355	2,398,662				
415,474	382,602	330,817	346,126	334,799	370,946				
203,376	213,789	238,376	277,774	252,227	269,228				
68,319	38,218	-	5,465	22,592	-				
1,408,259	1,264,069	1,725,254	1,438,146	1,067,750	1,150,055				
389,394	403,443	162,064	352,943	525,199	643,090				
848,310	665,788	129,447	889,989	1,103,253	119,025				
16,114	22,176	15,542	859,246	3,885	406,301				
8,402,963	8,494,321	9,274,540	9,074,506	9,652,900	9,349,318				
-	7,365	3,242	405	1,280	26,761				
136,401	148,415	255,946	53,241	71,025	45,159				
1,377,380	700,000	800,000	988,351	965,660	921,831				
-	-	57,660	26,169	-	-				
-	-	251,957	2,400	305,185	-				
158,668	-	-	354,984	-	-				
1,134,485	236,993	194,693	111,784	-	-				
387,070	-	-	87,984	-	-				
19,439,636	17,021,528	18,166,142	19,675,925	19,246,744	18,253,071				

Carteret County, North Carolina

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

	2005	2006	2007	2008
Business-type activities:				
Charge for services - Water	\$ 264,634	\$ 361,888	\$ 493,342	\$ 550,256
Capital grants and contributions - Water	925	-	146,065	-
Total business-type activities program revenues	265,559	361,888	639,407	550,256
Total primary government program revenues	\$ 16,595,108	\$ 18,271,191	\$ 18,259,449	\$ 17,827,559
Governmental activities	\$ (50,891,073)	\$ (51,577,309)	\$ (64,128,776)	\$ (84,906,043)
Business-type activities	(155,040)	(245,595)	(88,912)	(262,915)
Total primary government net (expense)/revenue	\$ (51,046,113)	\$ (51,822,904)	\$ (64,217,688)	\$ (85,168,958)

General Revenues and Other Changes in Net Position

Governmental activities:				
Property taxes	\$ 37,240,867	\$ 38,994,213	\$ 42,377,566	\$ 48,592,344
Local option sales tax	14,334,170	14,303,322	16,794,865	17,531,935
Other taxes	4,494,502	6,730,679	5,276,663	5,415,909
Intergovernmental	155,208	164,954	397,918	665,684
Investment earnings	612,987	1,302,511	3,196,255	3,310,752
Miscellaneous	2,422,594	1,538	142,989	90,195
Special Item	-	-	-	-
Transfers	(70,621)	(210,940)	(289,000)	(278,000)
Total governmental activities	59,189,707	61,286,277	67,897,256	75,328,819
Business-type activities:				
Investment earnings	3,800	8,924	23,451	33,908
Intergovernmental, unrestricted	-	56,084	10,574	-
Transfers	70,621	210,940	289,000	278,000
Total business-type activities	74,421	275,948	323,025	311,908
Total primary government	\$ 59,264,128	\$ 61,562,225	\$ 68,220,281	\$ 75,640,727
Change in Net Position				
Governmental activities	\$ 8,298,634	\$ 9,708,968	\$ 3,768,480	\$ (9,577,224)
Business-type activities	(80,619)	30,353	234,113	48,993
Total primary government	\$ 8,218,015	\$ 9,739,321	\$ 4,002,593	\$ (9,528,231)

Fiscal Year											
2009		2010		2011		2012		2013		2014	
\$	573,359	\$	564,172	\$	457,668	\$	526,067	\$	575,338	\$	562,238
	167,757		115,605		384,395		3,618		1,751,350		-
	741,116		679,777		842,063		529,685		2,326,688		562,238
\$	20,180,752	\$	17,701,305	\$	19,008,205	\$	20,205,610	\$	21,573,432	\$	18,815,309
\$	(71,333,189)	\$	(69,225,830)	\$	(66,059,494)	\$	(63,569,492)	\$	(68,878,680)	\$	(61,590,262)
	(193,803)		(118,655)		(7,261)		(285,613)		1,417,381		(465,070)
\$	(71,526,992)	\$	(69,344,485)	\$	(66,066,755)	\$	(63,855,105)	\$	(67,461,299)	\$	(62,055,332)
\$	50,175,809	\$	50,528,632	\$	51,159,340	\$	51,442,461	\$	50,250,954	\$	50,921,192
	14,210,399		12,277,230		12,051,519		12,895,813		13,718,008		13,640,870
	4,542,881		4,398,904		4,595,602		4,748,326		4,615,833		5,240,019
	263,104		462,860		677,029		780,738		793,818		964,088
	1,593,849		790,705		401,788		539,146		(69,957)		285,376
	60,939		703,663		79,807		2,125,900		142,562		205,888
	-		-		-		-		2,000,000		1,128,496
	(258,000)		(205,000)		(305,000)		(245,000)		(231,565)		(300,000)
	70,588,981		68,956,994		68,660,085		72,287,384		71,219,653		72,085,929
	16,840		15,722		8,679		9,332		1,219		3,487
	-		-		-		-		-		-
	258,000		205,000		305,000		245,000		231,565		300,000
	274,840		220,722		313,679		254,332		232,784		303,487
\$	70,863,821	\$	69,177,716	\$	68,973,764	\$	72,541,716	\$	71,452,437	\$	72,389,416
\$	(744,208)	\$	(268,836)	\$	2,600,591	\$	8,717,892	\$	2,340,973	\$	10,495,667
	81,037		102,067		306,418		(31,281)		1,650,165		(161,583)
\$	(663,171)	\$	(166,769)	\$	2,907,009	\$	8,686,611	\$	3,991,138	\$	10,334,084

Carteret County, North Carolina

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

	2005	2006	2007
General Fund			
Reserved for:			
State statute	\$ 5,407,652	\$ 5,245,544	\$ 5,441,376
Prepaid items	-	-	-
Sheriff's fund	49,755	24,161	39,116
Debt Service	-	-	-
Recreation districts	62,739	55,053	88,593
Health programs	934,948	1,081,508	1,177,309
Register of deeds	113,478	190,045	251,440
Beach nourishment	1,340,869	2,040,923	4,023,290
Total reserve	7,909,441	8,637,234	11,021,124
Unreserved:			
Designated for subsequent year's expenditures	1,230,000	825,000	155,000
Undesignated	14,115,874	18,814,243	21,917,920
Total General Fund	\$ 23,255,315	\$ 28,276,477	\$ 33,094,044
All Other Governmental Funds			
Reserved for:			
State statute	\$ 1,301,271	\$ -	\$ -
E911 wireless	-	-	741,702
Special districts	-	-	410,542
	1,301,271	-	1,152,244
Unreserved:			
Designated for subsequent year's expenditures	310,643	22,877,167	36,035,398
Undesignated special revenue funds	(740,779)	614,664	371,947
Undesignated capital projects funds	1,883,349	1,418,615	3,650,440
Total all other governmental funds	\$ 2,754,484	\$ 24,910,446	\$ 41,210,029

Schedule 3
Page 1 of 2

Fiscal Year		
2008	2009	2010
\$ 6,058,268	\$ 6,537,961	\$ 5,668,864
92,056	-	-
61,376	120,361	84,052
-	-	-
88,665	89,129	89,129
1,135,530	973,892	907,160
293,368	325,898	274,802
5,996,954	7,665,277	9,550,285
<u>13,726,217</u>	<u>15,712,518</u>	<u>16,574,292</u>
720,000	-	307,505
23,152,988	23,791,470	25,445,763
<u>\$ 37,599,205</u>	<u>\$ 39,503,988</u>	<u>\$ 42,327,560</u>
\$ -	\$ -	\$ -
-	-	-
1,147,999	1,809,004	2,430,758
<u>1,147,999</u>	<u>1,809,004</u>	<u>2,430,758</u>
19,382,507	12,882,665	1,906,995
1,006,822	1,405,876	948,533
4,891,288	3,473,937	4,280,372
<u>\$ 26,428,616</u>	<u>\$ 19,571,482</u>	<u>\$ 9,566,658</u>



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

	Fiscal Year			
	2011	2012	2013	2014
General Fund				
Restricted:				
Stabilization by state statute	\$ 8,696,639	\$ 7,544,942	\$ 5,614,618	\$ 5,613,195
Sheriff's fund	264,217	277,168	403,907	437,789
Recreation districts	94,790	102,739	102,739	102,739
Health programs	931,719	919,286	812,855	797,986
Register of deeds	311,834	341,557	383,149	375,918
Beach nourishment	10,455,564	11,102,845	5,723,261	7,312,865
Economic development	-	-	-	1,705,420
Total restricted	20,754,763	20,288,537	13,040,529	16,345,912
Assigned:				
Subsequent year's expenditures	908,485	1,441,215	1,000,000	5,254,210
Unassigned	21,762,773	25,101,604	30,527,492	30,092,051
Total General Fund	\$ 43,426,021	\$ 46,831,356	\$ 44,568,021	\$ 51,692,173
All Other Governmental Funds				
Restricted:				
Public safety	\$ 401,499	\$ 594,250	\$ 766,750	\$ 688,078
Rescue protection	1,150,690	1,386,031	1,150,716	713,377
Fire protection	1,734,943	2,002,963	1,601,729	1,723,198
School capital	2,735,522	1,958,941	12,114	12,139
Economic development	751,509	896,556	1,041,645	1,290,682
Total restricted	6,774,163	6,838,741	4,572,954	4,427,474
Committed:				
Economic development	721,756	728,994	729,674	732,706
County capital	-	-	500,000	403,529
School capital	432,914	543,229	1,540,719	903,468
Assigned:				
Subsequent year's expenditures	161,271	101,360	779,040	1,451,065
County capital	1,675,102	1,308,319	1,083,346	1,005,471
Unassigned:				
Special revenue funds	(680,935)	(786,060)	(855,743)	(1,033,467)
Total all other governmental funds	\$ 9,084,271	\$ 8,734,583	\$ 8,349,990	\$ 7,890,246

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)

	2005	2006	2007	2008
Revenues				
Taxes:				
Property	\$ 37,171,758	\$ 38,995,144	\$ 42,487,337	\$ 48,720,636
Sales and other taxes	18,828,672	21,034,001	22,071,528	22,947,844
Total taxes	56,000,430	60,029,145	64,558,865	71,668,480
Permits and fees	3,093,945	4,164,371	3,633,685	3,079,055
Intergovernmental	11,337,622	10,666,809	11,567,346	12,039,656
Sales and services	1,742,529	2,589,990	2,566,066	2,650,004
Interest	612,987	1,302,510	3,196,255	3,310,752
Miscellaneous	379,277	698,189	350,904	267,994
Total revenues	73,166,790	79,451,014	85,873,121	93,015,941
Expenditures				
General government	4,190,354	4,898,195	5,312,246	5,745,169
Public safety	12,472,725	13,422,324	13,947,141	16,132,558
Transportation	493,593	736,491	847,387	858,646
Environmental protection	2,744,907	3,404,122	2,891,843	2,900,884
Economic development	4,815,319	5,585,495	4,334,443	4,959,166
Human services	14,094,168	14,659,109	15,696,967	16,391,072
Culture and recreation	2,240,196	2,548,009	2,737,147	3,013,274
Education	18,699,023	18,870,730	20,196,594	21,556,439
Capital outlay	5,161,345	3,836,951	11,289,414	26,052,502
Debt service:				
Principal	4,316,572	4,175,000	4,785,000	5,922,857
Interest	2,352,193	2,161,065	2,954,302	3,568,542
Total expenditures	71,580,395	74,297,491	84,992,484	107,101,109
Excess (deficiency) of revenues over (under) expenditures	1,586,395	5,153,523	880,637	(14,085,168)
Other financing sources (uses):				
Transfers in	2,539,943	4,477,917	6,502,225	9,407,194
Transfers out	(2,610,564)	(4,688,857)	(6,791,225)	(9,408,499)
Proceeds from sale of capital assets	-	-	-	-
Special item	-	-	-	-
Bond premium	-	365,126	94,928	-
Bonds issued	-	22,000,000	20,300,000	-
Refunding bonds issued	-	-	-	-
Payment to refunding escrow agent	-	-	-	-
Proceeds from installment note	-	-	-	3,810,221
Total other financing sources (uses)	(70,621)	22,154,186	20,105,928	3,808,916
Net change in fund balance	\$ 1,515,774	\$ 27,307,709	\$ 20,986,565	\$ (10,276,252)
Debt service as a percentage of noncapital expenditures	9.54%	8.91%	9.18%	8.96%

Schedule 4

	2009	2010	2011	2012	2013	2014
\$	49,678,930	\$ 50,200,352	\$ 50,519,817	\$ 51,069,950	\$ 50,110,266	\$ 50,941,906
	18,753,280	16,676,134	16,647,121	17,644,139	18,333,841	18,880,889
	68,432,210	66,876,486	67,166,938	68,714,089	68,444,107	69,822,795
	2,484,066	2,355,405	2,407,908	2,590,236	2,781,510	2,575,469
	14,544,225	12,341,283	13,642,310	15,026,351	14,512,547	13,625,628
	2,605,889	2,681,926	2,710,406	2,840,076	2,746,505	3,016,062
	1,593,849	790,705	401,788	539,146	(69,957)	285,376
	149,586	156,290	164,968	211,118	118,669	172,353
	89,809,825	85,202,095	86,494,318	89,921,016	88,533,381	89,497,683
	5,821,968	5,852,801	5,710,894	5,402,432	5,697,525	6,160,049
	16,424,222	16,291,686	18,135,931	16,863,612	17,548,136	18,122,055
	941,321	781,852	952,210	1,159,848	2,658,305	918,872
	3,070,121	3,104,110	3,189,081	4,014,786	3,104,387	3,132,347
	5,189,267	4,441,078	4,889,167	6,862,298	5,782,737	4,922,228
	15,774,335	14,618,041	15,221,814	15,598,191	14,814,576	14,719,500
	2,685,231	2,632,473	1,590,158	2,774,024	2,889,936	3,191,895
	22,851,145	21,888,541	28,623,466	22,306,178	21,265,441	21,816,743
	15,564,833	13,242,438	3,505,755	3,689,741	10,484,171	2,837,981
	13,243,078	6,217,427	6,465,073	6,615,517	6,174,180	6,520,683
	4,077,579	3,188,650	2,943,555	2,883,139	2,558,945	2,280,183
	105,643,100	92,259,097	91,227,104	88,169,766	92,978,339	84,622,536
	(15,833,275)	(7,057,002)	(4,732,786)	1,751,250	(4,444,958)	4,875,147
	4,652,822	4,567,901	4,773,110	4,218,376	11,921,740	4,911,458
	(4,910,822)	(4,772,901)	(5,078,110)	(4,463,376)	(12,153,305)	(5,211,458)
	-	80,750	5,653,860	1,531,514	2,000,000	53,765
	-	-	-	-	-	1,128,496
	-	-	-	-	2,624,435	-
	-	-	-	-	-	-
	-	-	-	10,029,942	12,700,000	-
	-	-	-	(10,012,059)	(15,077,852)	-
	11,138,924	-	-	-	-	907,000
	10,880,924	(124,250)	5,348,860	1,304,397	2,015,018	1,789,261
\$	(4,952,351)	\$ (7,181,252)	\$ 616,074	\$ 3,055,647	\$ (2,429,940)	\$ 6,664,408
	17.02%	10.53%	10.73%	10.92%	9.52%	10.52%

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)	
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 ⁽⁵⁾	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 ⁽⁵⁾	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
2014	12,977,674,352	1,026,639,566	35,108,082	69,700,524	14,109,122,524

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) Revaluation Years

Schedule 5

Personal Property	Public Service Companies (2)	Total Assessed Valuation	Total Direct Tax Rate (3)	Estimated Actual Taxable Value (4)
\$ 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
1,212,368,458	129,665,570	15,451,156,552	0.29	15,451,156,552



**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	
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
2014	0.2900	1.9030	1.9835	4.1765

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**

	2005	2006	2007	2008
Carteret County	0.4200	0.4200	0.4400	0.2300
Municipalities				
Atlantic Beach	0.2300	0.2300	0.2600	0.1500
Beaufort	0.3800	0.3800	0.3800	0.1900
Bogue	0.0500	0.0500	0.0500	0.0500
Cape Carteret	0.2300	0.2300	0.2300	0.1550
Cedar Point	0.0500	0.0500	0.0500	0.0500
Emerald Isle	0.1650	0.1550	0.1550	0.0670
Indian Beach	0.0900	0.1000	0.1000	0.0600
Morehead City	0.3800	0.3800	0.3800	0.2200
Newport	0.4300	0.4300	0.4000	0.2700
Pelletier	0.0500	0.0500	0.0500	0.0500
Pine Knoll Shores	0.1800	0.1800	0.1800	0.0800
Fire Districts				
Atlantic	0.0650	0.0650	0.0650	0.0700
Beaufort	0.0600	0.0700	0.0550	0.0300
Broad & Gales Creek	0.0400	0.0400	0.0550	0.0450
Cedar Island	0.1000	0.1000	0.1000	0.1000
Davis	0.1000	0.1000	0.1000	0.0850
Harkers Island	0.0600	0.0600	0.0600	0.0400
Harlowe	0.0550	0.0550	0.0550	0.0450
Marshallberg	0.0700	0.0700	0.0700	0.0850
Mill Creek	0.0550	0.0550	0.0550	0.0450
Mitchell Village	0.0800	0.0800	0.0800	0.0900
Newport	0.0800	0.0800	0.0800	0.0400
North River	0.0750	0.0750	0.0750	0.0450
Otway	0.0400	0.0400	0.0400	0.0250
Salter Path	0.0500	0.0600	0.0700	0.0300
Sea Level	0.1000	0.1000	0.1000	0.1000
South River/ Merrimon	0.0700	0.0700	0.0700	0.0550
Stacy	0.0800	0.0800	0.0800	0.0600
Stella	0.0500	0.0500	0.0500	0.0250
Western Carteret	0.0700	0.0700	0.0700	0.0400
Wildwood	0.0950	0.0950	0.0950	0.0450

(Continued)

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2009	2010	2011	2012	2013	2014
0.2300	0.2300	0.2300	0.3000	0.2900	0.2900
0.1250	0.1250	0.1250	0.1700	0.1700	0.1650
0.2200	0.2200	0.2200	0.2600	0.3000	0.3000
0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
0.1550	0.1400	0.1400	0.1625	0.1525	0.1525
0.0500	0.0550	0.0550	0.0625	0.0625	0.0625
0.0700	0.0700	0.0800	0.1150	0.1150	0.1250
0.1100	0.1400	0.1500	0.2150	0.2150	0.1650
0.2200	0.2200	0.2200	0.2850	0.2850	0.3150
0.2900	0.3100	0.3300	0.3570	0.3570	0.3570
0.0500	0.0500	0.0550	0.0550	0.0550	0.0550
0.1150	0.1150	0.1150	0.1560	0.1560	0.1560
0.0700	0.0700	0.0700	0.0700	0.0700	0.0700
0.0350	0.0350	0.0550	0.0550	0.0550	0.0550
0.0450	0.0450	0.0300	0.0300	0.0300	0.0300
0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
0.0900	0.0900	0.0850	0.0850	0.0850	0.0850
0.0400	0.0650	0.0700	0.0800	0.0800	0.0700
0.0450	0.0550	0.0600	0.0750	0.0750	0.0750
0.0850	0.0800	0.0900	0.0900	0.0900	0.0900
0.0450	0.0450	0.0450	0.0450	0.0450	0.0450
0.0750	0.0750	0.0750	0.0750	0.0650	0.0550
0.0700	0.0700	0.0700	0.0700	0.0700	0.0700
0.0450	0.0900	0.0900	0.0900	0.0900	0.0900
0.0500	0.0500	0.0500	0.0550	0.0550	0.0700
0.0300	0.0300	0.0300	0.0500	0.0600	0.0600
0.1000	0.1000	0.1000	0.0950	0.0950	0.0950
0.0350	0.0600	0.0600	0.0600	0.0600	0.0600
0.0700	0.0700	0.0850	0.0850	0.0850	0.0850
0.0200	0.0250	0.0400	0.0400	0.0400	0.0400
0.0400	0.0400	0.0400	0.0400	0.0400	0.0400
0.0600	0.0600	0.0650	0.0850	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

	2005	2006	2007	2008
Rescue Districts				
Beaufort	0.0550	0.0550	0.0600	0.0250
Broad & Gales Creek	0.0550	0.0750	0.0750	0.0350
Mill Creek	0.0200	0.0200	0.0200	0.0450
Mitchell Village	0.0400	0.0400	0.0400	0.0250
Otway	0.0550	0.0550	0.0550	0.0300
Sea Level	0.1675	0.1675	0.1675	0.1200
Western Carteret	0.0550	0.0500	0.0500	0.0300
Beach Nourishment Districts				
Salter Path	0.4300	0.4300	0.4300	-
Indian Beach Non Ocean Front	0.0200	0.0200	0.0200	0.0200
Indian Beach Ocean Front	0.2200	0.2200	0.3200	0.0100
Emerald Isle Non Ocean Front	0.0300	0.0300	0.1850	0.0110
Emerald Isle Ocean Front	0.4800	0.4800	0.6350	0.1620
Pine Knoll Shores Ocean Front	0.4200	0.0600	0.6000	0.0264
Pine Knoll Shores Non Ocean Front	0.0600	0.2000	0.2400	0.1727
Water Districts				
County Water District ¹	-	-	-	-

Source: Carteret County Tax Department

Notes:

¹First Year Tax District 2012

2009	2010	2011	2012	2013	2014
0.0400	0.0450	0.0450	0.0500	0.0500	0.0500
0.0350	0.0300	0.0300	0.0300	0.0300	0.0300
0.0450	0.0450	0.0450	0.0450	0.0450	0.0450
0.0400	0.0400	0.0400	0.0400	0.0300	0.0200
0.0300	0.0300	0.0300	0.0300	0.0300	0.0300
0.1200	0.1200	0.1200	0.0800	0.0600	0.0600
0.0300	0.0300	0.0300	0.0300	0.0300	0.0300
-	-	-	0.1500	0.0500	0.0500
0.0100	0.0100	0.0100	0.0100	0.0325	0.0325
0.0100	0.0100	0.0100	0.0350	0.0850	0.0850
0.0110	0.0110	0.0110	0.0150	0.0150	0.0150
0.1620	0.1620	0.1620	0.0450	0.0450	0.0450
0.0160	0.0160	0.0160	0.0140	0.0140	0.0140
0.1050	0.1050	0.1050	0.0520	0.0520	0.0520
-	-	-	0.0550	0.0550	0.0550



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

Name of Taxpayer	Type of Enterprise	Fiscal Year 2014			Fiscal Year 2005		
		Assessed Valuation	Rank	Percent of Total Assessed Valuation	Assessed Valuation	Rank	Percent of Total Assessed Valuation
Carteret Craven Electric	Utility	\$ 120,701,925	1	0.781%	\$ 33,204,921	1	0.42%
Progress Energy	Utility	82,196,030	2	0.532%	29,995,452	3	0.38%
Open Grounds Farm, Inc.	Farm	67,285,969	3	0.435%	31,499,728	2	0.40%
Carolina Telephone	Utility	39,272,984	4	0.254%	29,361,840	4	0.37%
Goose Creek Landing HOA	Real Estate	33,372,126	5	0.216%	-	-	-
ITAC 192 LLC	Real Estate	22,732,511	6	0.147%	-	-	-
Time Warner Entertainment	Utility	18,266,175	7	0.118%	12,223,583	8	0.15%
Manatee Investments Lmtd	Real Estate	15,133,045	8	0.098%	-	-	-
Atlantic Veneer Corp	Manufacturing	11,651,983	9	0.075%	15,078,802	6	0.19%
RBC Real Estate Finance I	Real Estate	10,771,453	10	0.070%	-	-	-
USPG Portfolia One LLC	Retail	-	-	-	12,375,792	7	0.16%
Atlantic Beach Hotel Limited	Hotel	-	-	-	15,894,500	5	0.20%
Wal-Mart Stores East Inc	Retail	-	-	-	11,815,034	10	0.15%
Weyerhaeuser Company	Real Estate	-	-	-	11,875,995	9	0.15%
		\$ 421,384,201		2.726%	\$ 203,325,647		2.570%

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
2005	\$ 33,055,434	\$ (45,651)	\$ 33,009,783	\$ 32,055,875	97.03%
2006	34,299,028	16,727	34,315,755	33,517,698	97.44%
2007	37,997,380	(153,178)	37,844,202	36,909,457	97.43%
2008	43,386,701	(119,434)	43,267,267	42,240,730	97.65%
2009	43,880,900	(104,089)	43,776,811	42,486,645	97.08%
2010	44,158,178	(121,256)	44,036,922	42,758,524	97.06%
2011	44,397,414	(16,487)	44,380,927	43,043,486	97.03%
2012	45,203,707	(122,866)	45,080,841	43,758,543	97.07%
2013	44,109,338	(71,888)	44,037,450	42,824,327	97.25%
2014	44,863,630	(55,276)	44,808,354	43,722,134	97.58%

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
\$	965,850	\$ 33,021,725	100.04%
	807,828	34,325,526	100.03%
	904,134	37,813,591	99.92%
	857,566	43,098,296	99.61%
	1,060,614	43,547,259	99.48%
	1,063,039	43,821,563	99.51%
	1,068,850	44,112,336	99.39%
	924,182	44,682,725	99.12%
	617,174	43,441,501	98.65%
	-	43,722,134	97.58%

Carteret County, North Carolina

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

Fiscal Year	Governmental Activities			
	General Obligation Bonds	Net Premiums Discounts and Adjustments	Certificates of Participation	Installment Loans
2005	\$ 27,650,000	\$ (377,186)	\$ 20,545,000	\$ 2,100,000
2006	47,605,000	54,600	18,715,000	1,800,000
2007	63,220,000	201,508	16,915,000	3,500,000
2008	59,550,000	221,156	15,605,000	6,367,364
2009	55,920,000	(197,572)	7,045,000	16,453,210
2010	52,330,000	(137,327)	5,735,000	15,135,783
2011	48,745,000	(77,132)	5,155,000	18,489,570
2012	45,100,000	35,220	4,660,000	16,099,052
2013	40,605,000	3,464,917	4,040,000	14,339,872
2014	36,545,000	3,100,791	3,560,000	13,365,073

* Information not yet available

Notes:

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

(1) See Schedule 14 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 2013 and 2014.

Schedule 10

Business Activity							
Installment Loans	Bond Anticipation Notes	Revenue Bonds	Total Primary Government	Per Capita (1)	Percentage of Personal Income (1)		
\$ 2,980,303	\$ -	\$ -	\$ 52,898,117	\$ 865	2.72%		
3,328,720	-	-	71,503,320	1,139	3.52%		
3,156,512	-	-	86,993,020	1,367	4.02%		
2,985,480	-	-	84,729,000	1,335	3.53%		
2,814,448	-	-	82,035,086	1,294	3.31%		
2,643,416	-	-	75,706,872	1,183	2.93%		
2,472,384	1,046,000	-	75,830,822	1,184	2.87%		
2,301,352	1,046,000	-	69,241,624	1,064	2.45%		
2,130,320	-	1,046,000	65,626,109	1,064	*		
1,959,288	-	1,046,000	59,576,152	862	*		



**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
2005	\$ 27,272,814	\$ 7,865,963,810	0.35%	1.42%	61,112	\$ 446.28
2006	47,659,600	8,189,801,676	0.58%	2.35%	62,760	759.39
2007	63,421,508	8,619,249,952	0.74%	2.93%	63,511	998.59
2008	59,771,156	18,620,488,670	0.32%	2.49%	63,294	944.34
2009	55,722,428	19,028,825,652	0.29%	2.25%	63,535	877.04
2010	52,192,673	19,154,428,262	0.27%	2.02%	64,107	814.15
2011	48,667,868	19,287,665,218	0.25%	1.84%	65,050	748.16
2012	45,135,220	15,072,107,348	0.30%	1.60%	67,696	666.73
2013	44,069,917	15,178,413,206	0.29%	*	68,645	642.00
2014	39,645,791	15,451,156,552	0.26%	*	69,092	573.81

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 2013 and 2014

Carteret County, North Carolina

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

	2005	2006	2007	2008
Assessed values of property	\$ 7,865,963,810	\$ 8,189,801,676	\$ 8,619,249,952	\$ 18,620,488,670
Debt limit 8% of assessed value	629,277,105	655,184,134	689,539,996	1,489,639,094
Gross debt:				
Total bonded debt	48,195,000	66,320,000	80,135,000	75,155,000
Installment debt	2,100,000	1,800,000	3,500,000	6,367,364
Net bond premiums and adjustments	(377,186)	54,600	201,508	221,156
Authorized unissued bonded debt	-	28,010,000	9,710,000	9,710,000
Total amount of debt applicable to debt limit	49,917,814	96,184,600	93,546,508	91,453,520
Legal debt margin	\$ 579,359,291	\$ 558,999,534	\$ 595,993,488	\$ 1,398,185,574
Total net debt applicable to the limit as a percentage of debt limit	7.93%	14.68%	13.57%	6.14%

Schedule 12

	2009	2010	2011	2012	2013	2014
\$	19,028,825,652	\$ 19,154,428,262	\$ 19,287,665,218	\$ 15,072,107,348	\$ 15,178,413,206	\$ 15,451,156,552
	1,522,306,052	1,532,354,261	1,543,013,217	1,205,768,588	1,214,273,056	1,236,092,524
	62,965,000	58,065,000	53,900,000	49,760,000	44,645,000	40,105,000
	16,453,210	15,135,783	18,489,570	16,099,052	14,339,872	13,365,073
	(197,572)	(137,327)	(77,132)	35,220	3,464,917	3,100,791
	9,710,000	9,710,000	9,710,000	9,710,000	9,710,000	9,710,000
	88,930,638	82,773,456	82,022,438	75,604,272	72,159,789	66,280,864
\$	1,433,375,414	\$ 1,449,580,805	\$ 1,460,990,779	\$ 1,130,164,316	\$ 1,142,113,267	\$ 1,169,811,660
	5.84%	5.40%	5.32%	6.27%	5.94%	5.36%

Computation of Direct and Overlapping Debt
Governmental Activities Debt
June 30, 2014

	Outstanding Debt	Percent Applicable to County	Amount Applicable to County
Direct			
Carteret County (1)	\$ 56,570,864	100.00%	\$ 56,570,864
Overlapping			
Town of Emerald Isle (2)	4,030,771	100.00%	4,030,771
Town of Newport (2)	1,999,485	100.00%	1,999,485
Town of Pine Knoll Shores (2)	3,426,000	100.00%	3,426,000
Subtotal overlapping debt	<u>9,456,256</u>		<u>9,456,256</u>
Total direct and overlapping debt	<u>\$ 66,027,120</u>		<u>\$ 66,027,120</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)
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	2,824,360	41,761	9.30%	8,336
2013	68,645	*	*	8.48%	8,307
2014	69,092	*	*	6.50%	8,254

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	2014			2005		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Carteret County Public Schools	1,120	1	4.65%	1,418	1	4.42%
Carteret General Hospital	755	2	3.14%	842	2	2.62%
NC Department of Transportation	441	3	1.83%	-	-	-
Carteret County	386	4	1.60%	372	4	1.16%
US Coast Guard	300	5	1.25%	201	9	0.63%
Wal-Mart	282	6	1.17%	563	3	1.75%
Lowes Home Improvements	174	7	0.72%	-	-	-
Carteret Community College	168	8	0.70%	350	6	1.09%
Town of Morehead City	151	9	0.63%	-	-	-
Bluewater Real Estate	125	10	0.52%	-	-	-
Food Lion	-	-	-	270	7	0.84%
Atlantic Veneer	-	-	-	363	5	1.13%
Henry's Tackle & Sporting Goods	-	-	-	205	8	0.64%
NC Natural Resources and Community Development	-	-	-	173	10	0.54%

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			
	2005	2006	2007	2008
General government	47.00	61.30	63.60	66.10
Public safety	100.75	102.75	106.00	114.00
Transportation	2.00	2.00	2.00	2.00
Economic and physical development	15.00	17.00	17.00	19.50
Environmental protection	9.80	9.80	8.00	6.00
Human Services	156.25	154.15	162.60	167.80
Cultural and recreation	20.00	21.00	21.00	22.00
Water/Sewer (Business activity)	2.20	3.70	4.40	4.40
Total	353.00	371.70	384.60	401.80

Source: County Finance Department

Notes:

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

Full-time personnel work 2,080 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

2009	2010	2011	2012	2013	2014
66.10	66.40	66.60	62.85	57.85	59.80
119.00	114.30	141.00	130.00	135.00	137.00
2.00	2.00	2.00	2.00	3.00	3.00
18.50	17.00	17.00	17.00	14.00	13.87
6.00	7.00	7.00	7.00	7.00	6.50
171.80	169.58	169.91	169.33	169.33	168.33
22.00	20.92	21.49	20.07	19.07	20.07
4.40	4.40	4.40	4.15	4.15	4.83
409.80	401.60	429.40	412.40	409.40	413.40

Carteret County, North Carolina

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

Function	Fiscal Year		
	2009	2010	2011
Sheriff:			
Physical arrests	2,410	2,363	2,270
Environmental Protection:			
Solid waste convenience sites:			
Refuse collected (tons / day)	42.90	44.00	41.48
Recycled Material (tons / day)	4.30	5.00	2.34
Yard Waste (tons / day)	3.82	4.00	3.12
Culture and recreation:			
Park reservations	5,838	5,599	5,404
Senior center and community center admissions	84,315	104,501	93,504
Public libraries:			
Admissions	255,486	271,856	289,197
Electronic resources users	181,896	201,525	237,737
Water:			
New connections	54	60	32
Water mains breaks	-	-	3
Average daily consumption (gallons / day)	94	97	130

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

Schedule 17

2012	2013	2014
2,288	2,091	2,018
45.46	43.74	46.25
4.24	4.26	5.15
2.61	3.50	11.00
5,792	6,099	6,462
98,616	124,177	110,435
293,613	286,588	269,839
365,516	400,407	292,250
30	35	25
3	2	2
150	125	127

Carteret County, North Carolina

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

	2005	2006	2007	2008
Function				
Public safety:				
Sheriff				
Stations	1	1	1	1
Patrol Units	20	20	24	24
Environmental protection:				
Solid waste convenience sites	12	12	12	12
Culture and recreation:				
Park acreage	148	148	148	159
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	48	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

2009	2010	2011	2012	2013	2014
1	1	1	1	1	1
24	24	24	24	24	24
12	12	12	12	12	12
159	159	159	163	163	163
7	7	7	9	9	9
5	5	5	14	14	14
2	2	2	3	3	3
4	4	4	5	5	5
48	48	51	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, 2014, and the related notes to the financial statements, which collectively comprise Carteret County's basic financial statements, and have issued our report thereon dated December 15, 2014. 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*.

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 a 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 a 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.

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

Morehead City, North Carolina
December 15, 2014



**Independent Auditor's Report
On Compliance for the Major Federal Program
And Report 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 the 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 Carteret County's major federal program for the year ended June 30, 2014. Carteret County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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*, 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 Carteret County's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the Carteret County's compliance.

Opinion on the 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 the major federal program for the year ended June 30, 2014.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 a 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.

Purpose of This Report

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.



Morehead City, North Carolina
December 15, 2014



**Independent Auditor's Report
On Compliance for Each Major State Program
And Report 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, 2014. 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, 2014.

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 a 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.

Purpose of This Report

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.



Morehead City, North Carolina
December 15, 2014

Carteret County, North Carolina

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**

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
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Identification of major federal programs:

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

Dollar threshold used to distinguish between type A and type B programs:	<u>\$ 1,578,085</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, 2014**

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>
Special Assistance	N/A

Note: Certain major state programs are tested with their federal components and are listed as major federal programs as follows:

Medical Assistance (State Portion)	N/A
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Carteret County, North Carolina

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2014**

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, 2014**

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, 2014**

There are no prior audit findings (as that term is defined in OMB Circular A-133) that require reporting in this schedule.

**Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2014**

	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	\$ -	\$ 23,610
			22,489	-	23,610
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		255,354	-	7,318
Benefit Payments - noncash					
	10.557		936,622	-	-
			1,191,976	-	7,318
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		449,265	-	449,265
Food Stamp Fraud Admin					
	10.561		26,914	-	26,914
Total Food and Nutrition Services Cluster:					
			476,179	-	476,179
Total US Department of Agriculture					
			1,690,644	-	507,107
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		4,570	-	-
US Department of Interior:					
Direct Program:					
Administered by County Finance Department:					
National Forest, Public Schools					
	15.225		45,159	-	-
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		137,172	8,573	25,720
Elderly Individuals and Individual with Disabilities					
	20.513		40,296	-	40,296
Job Access and Reverse Communitie (JARC)					
	20.516		30,000	-	30,000
Total US Department of Transportation					
			207,468	8,573	96,016

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2014

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
US Department of Justice					
Bureau of Justice Assistance					
Passed through NC Department of Public Safety					
Administered by Carteret County Sheriff Department					
Bulletproof Vest Partnership - 2010	16.607		6,724	-	6,724
Operation Pills Can Kill	16.738		38,446	-	12,815
			<u>45,170</u>	<u>-</u>	<u>19,539</u>
Administered by County Rape Crisis					
Basic SA Services	16.575		28,110	-	7,028
Sexual Assault TT Program	16.575		21,151	-	5,288
			<u>49,261</u>	<u>-</u>	<u>12,316</u>
Total US Department of Justice			<u>94,431</u>	<u>-</u>	<u>31,855</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	93.043		17,279	1,016	2,033
HCCBG - Access Title III B	93.044		73,501	4,324	8,647
HCCBG Congregate Nutrition Title III C1	93.045		73,992	4,352	8,705
HCCBG Home Delivered Meals Title III C2	93.045		27,500	1,618	3,235
NSIP-Nutrition	93.053		15,309	-	-
Total Aging Cluster			<u>207,581</u>	<u>11,310</u>	<u>22,620</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		23,769	679	2,717
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):					
Special Children Adoption	93.558		-	26,400	-
TANF Benefit Payments	93.558		279,613	(85)	-
Work First Administration	93.558		119,700	-	108,381
Work First Service	93.558		691,739	-	514,638
Total TANF			<u>1,091,052</u>	<u>26,315</u>	<u>623,019</u>
Family Preservation	93.556		14,371	-	-
AFDC Payments	93.560		(609)	(167)	(167)

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2014

	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		\$ 585,106	\$ -	\$ 301,418
IV-D Offset Fees ESC	93.563		124	-	64
IV-D Offset Fees Federal	93.563		1,517	6	781
			586,747	6	302,263
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		185,300	-	-
Administration	93.568		41,171	-	-
Crisis Intervention payments	93.568		162,911	-	-
			389,382	-	-
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		80,280	-	-
Division of Child Development					
Child Care & Development Fund-Discretionary	93.575		633,416	-	-
Child Care & Development Fund-Mandatory	93.596		424,567	-	-
Child Care & Development Fund-Match	93.596		121,595	15,773	-
Total Child Care Fund Cluster			1,259,858	15,773	-
Temporary Assistance for Needy Families	93.558		352,527	-	-
Foster Care Title IV-E	93.658		19,229	10,068	-
State Appropriations			-	188,646	-
TANF- MOE			-	79,197	-
Total Subsidized Child Care Cluster			1,631,614	293,684	-
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		45,609	-	15,203
Foster Care and Adoption Cluster:					
Title IV-E Foster Care:					
IV E CPS	93.658		38,590	55,150	19,295
IV-E Optional Adopt TRN 50%	93.659		5,536	-	5,536
IV-E Family Foster Care MAX	93.658		1,673	-	872
Foster Care payments	93.658		93,591	24,392	24,392
IV-E Foster Care /OFF TRN	93.658		154,922	-	154,922
IV-E Foster Care TRN	93.658		1,687	-	562
IV-E Foster Care in Excess	93.658		1,865	485	485
IV-E Admin County Paid to CCI	93.658		10,087	5,043	5,043
IV-E Adoption Training	93.659		1,117	-	372
IV-E Adoption / Off Trn	93.659		18,763	-	18,763
IV-E adoption subsidy and vendor	93.659		386,293	101,245	101,245
Foster Care	N/A		27,814	-	35,380
Total Foster Care and Adoption Cluster			741,938	186,315	366,867

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2014**

	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		12,802	-	1,829
In-home Services over 60	93.667		1,470	-	210
In-home Services - SSBG other services	93.667		150,270	16,235	55,502
CPS TANF to SSBG	93.667		45,808	-	-
			<u>210,350</u>	<u>16,735</u>	<u>57,541</u>
Passed through NC Department of Health and Human Services:					
Administered by County Department of Social Services:					
Independent Living Transitional	93.674		6,622	-	-
Links	93.674		10,403	2,601	-
			<u>17,025</u>	<u>2,601</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		9,283	9,283	-
ADT CR HM CS Mgt/Spec	93.778		11,207	4,223	6,984
Benefit payments	93.778		44,168,752	24,367,712	-
Transportation Service	93.778		15,465	8,064	-
State County Special Assistance	93.778		8,617	-	6,884
Division of Social Services					
Administered by Carteret County DSS:					
Medical Assistance Administration	93.778		797,788	-	518,184
Transportation Administration	93.778		70,334	-	70,334
			<u>45,081,446</u>	<u>24,389,282</u>	<u>602,386</u>
Division of Social Services					
Administered by Carteret County DSS:					
State Children's Insurance Program - NC Health Choice	93.767		22,452	1,035	6,075
			<u>22,452</u>	<u>1,035</u>	<u>6,075</u>
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		37,148	-	23,050
Immunization Grants	93.268		14,824	-	-
Opportunities for States financed by 2012 Prevention and Public Funds Cooperative Agreements for Sate-Based	93.744		621	-	-
Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919		16,556	6,375	446
Statewide Health Promotion Program	93.991		20,675	-	-
			<u>89,824</u>	<u>6,375</u>	<u>23,496</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					
Maternal & Child Health Services Block Grant	93.994		51,126	38,349	183,714
			<u>51,126</u>	<u>38,349</u>	<u>183,714</u>
Office of Population Affairs					
Passed through NC Department of Health and Human Services:					
Office of Population Affairs					
Family Planning Service	93.217		116,863	-	83,600

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2014**

	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		\$ 2,984	\$ -	\$ -
Total US Department of Health and Human Services			50,323,524	24,972,519	2,289,334
US Department of Housing & Urban Development					
Passed through NC Department of Commerce Division of Community Assistance Administered by Carteret County Planning Department 2012 CDBG SSH Program	14.228		7,731	-	-
Total US Department of Housing & Urban Development			7,731	-	-
US Department of Homeland Security					
Passed through NC Department of Public Safety Division of Emergency Management Administered by Carteret County Emergency Management Department 2012 Homeland Security Grant Program - Training Grant Electronic Resource Database Project FEMA - Public Assistance	97.067 97.067 97.036		6,000 21,696 202,250	- - 67,416	- - -
Total US Department of Homeland Security			229,946	67,416	-
State Assistance					
NC Department of Health and Human Services:					
Division of Social Services:					
Administered by County Department of Social Services:					
State/County Special Assistance Benefit payments			(644)	-	(644)
Energy Assistance, Private Grants			-	9,827	-
County Funded Programs			-	-	1,248,206
Non-Allocating County Cost			-	-	297,086
Work First Non Reimbursable			-	-	69,306
AFDC Incent / Prog Integrity			-	483	-
CWS Adopt Subsidy & Vendor			-	172,518	52,646
SC/SA Domiciliary Care payment			-	383,698	383,698
SFHF Maximization			-	20,105	20,105
State Foster Home			-	37,462	37,462
			(644)	624,093	2,107,865

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2014**

	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 - In Home Support			\$ -	\$ 245,373	\$ 27,264
HCCBG - Home Delivered Meals			-	14,863	1,651
			-	260,236	28,915
Division of Public Health					
Administered by the County Health Department					
Other Receipts/ State Supported Expenditures					
Food and Lodging Fees			-	9,647	-
Environmental Health			-	4,000	1,016,341
Mosquito-Public Health Pesticide			-	9,535	-
General Aid to County			-	80,139	953,020
Communicable Disease			-	1,756	113,486
Risk Reduction/ Health Promotion			-	6,285	-
Maternal Health (HMHC)			-	2,736	-
Women's Health Service Fund			-	3,496	-
Tuberculosis			-	10,964	-
TB Medical Service			-	1,529	-
School Nurse Funding Initiative			-	50,000	-
			-	180,087	2,082,847
Total NC Department of Health and Human Services			(644)	1,064,416	4,219,627
NC Department of Environment and Natural Resources:					
Natural Resources Division:					
Passed through County Finance Office:					
White Goods Disposal			-	20,984	-
Scrap Tire Disposal			-	82,174	-
Total NC Department of Environment and Natural Resources			-	103,158	-

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2014**

	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			\$ -	\$ 34,569	\$ 34,569
Administered by County Finance Department:					
Services for Court Referrals					
Boys and Girls Club program			-	48,398	-
Juvenile Restitution Fund			-	31,805	-
Juvenile Crime Prevention			-	5,406	-
Teen Court			-	53,323	-
			-	138,932	-
Total NC Department of Public Safety			-	173,501	34,569
NC Department of Administration:					
Division of Veterans Affairs:					
Administered by County Veterans Services:					
Veterans Services			-	1,452	319,046
Other:					
Sexual Assault Grant Rape Crisis			-	47,438	9,488
Total NC Department of Administration			-	48,890	328,534
NC Department of Agriculture:					
Administered by the County Health Department					
Spay and Neuter Program			-	209	-
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	-	95,819	10,647
DOT ROAP Employment Grant		DOT-16CL	-	22,817	2,535
DOT Elderly and Disabled		DOT-16CL	-	75,438	8,382
Total NC Department of Transportation			-	194,074	21,564
Total Federal Expenditures			<u>\$ 52,602,829</u>		
Total State Expenditures				<u>\$ 27,332,756</u>	
Total Local Expenditures					<u>\$ 7,528,606</u>

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, 2014

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 \$12,374,410 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, 2014 was \$1,959,288 and the outstanding balance of the USDA Water Revenue Bond at June 30, 2014 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.



