

# CARTERET COUNTY NORTH CAROLINA



Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2015

CARTERET COUNTY  
NORTH CAROLINA

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2015

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

## Table of Contents

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### Introductory Section (Unaudited)

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

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### Financial Section

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Independent Auditor's Report	13 - 15
Management's Discussion and Analysis (Unaudited)	17 - 27
Basic Financial Statements	
Government-wide financial statements:	
Statement of net position	30 - 31
Statement of activities	32 - 33
Fund financial statements:	
Governmental Funds:	
Balance sheet	34 - 35
Statement of revenues, expenditures and changes in fund balance	36
Reconciliation of the statement of revenues, expenditures, and changes in fund balance to the statement of activities	37
Statement of revenues, expenditures and changes in fund balance – budget and actual - General Fund	38
Statement of revenues, expenditures and changes in fund balance – budget and actual - Occupancy Tax Fund	39
Proprietary Funds:	
Statement of fund net position	40
Statement of revenues, expenses and changes in fund net position	41
Statement of cash flows	42 - 43
Fiduciary Funds:	
Statement of fiduciary net position	44
Notes to financial statements	45 - 96

---

### Required Supplementary Information

Law Enforcement Officers' Special Separation Allowance –	
Schedule of funding progress	99
Schedule of employer contributions	100
Notes to the required schedules	100
Other Postemployment Benefits – Schedule of funding progress	101
Other Postemployment Benefits – Schedule of employer contributions	102
Notes to the required schedules	102

---

## Table of Contents (Continued)

---

Local Government Employees Retirement System -	
Schedule of Proportionate Share of the Net Pension Liability (Asset)	103
Schedule of County Contributions	104
Register of Deeds' Supplemental Pension Fund	
Schedule of Proportionate Share of the Net Pension Liability (Asset)	105
Schedule of County Contributions	106
Other Supplementary Information	
Summary of Major Funds:	
General Fund:	
Schedule of revenues, expenditures and changes in fund balance – budget and actual	108 - 115
Summary of Nonmajor Governmental Funds:	
Combining balance sheet – nonmajor governmental fund types	117
Combining statement of revenues, expenditures and changes in fund balances – nonmajor governmental fund types	118
Nonmajor Special Revenue Funds:	
Combining balance sheet	120 - 121
Combining statement of revenues, expenditures and changes in fund balances	122 - 123
Schedule of revenues, expenditures, and changes in fund balance – budget and actual:	
Rescue Squad Fund	124
Fire District Fund	125
Emergency Telephone System Fund	126
Salter Path District Fund	127
Water Tax District Fund	128
CDBG 2003 Scattered Site Fund	129
Nonmajor Capital Project Funds:	
Combining balance sheet	132 - 133
Combining statement of revenues, expenditures and changes in fund balances	134 - 135
Schedule of revenues, expenditures and changes in fund balances – budget and actual:	
County Capital Reserve Fund	136
County Capital Improvements Fund	137
School Special Projects Fund	138
Morehead Elementary School Fund	139
Enterprise Fund:	
Schedule of revenues and expenditures – budget and actual (non-GAAP):	
Water Operating Fund	141
Agency Funds:	
Combining statement of changes in fiduciary net position	144
Combining statement of changes in assets and liabilities	145

---

## Table of Contents (Continued)

---

### Governmental Funds Capital Assets:

#### Capital assets used in the operation of governmental funds:

Comparative schedules by source	147
Schedule by function and activity	148 - 149
Schedule of changes by function and activity	150

#### Other Financial Information:

Schedule of ad valorem taxes receivable	152
Analysis of current year's tax levy	153

---

## Statistical Section (Unaudited)

---

Schedule 1. Net position by component, last ten fiscal years	156 - 157
Schedule 2. Changes in net position, last ten fiscal years	158 - 163
Schedule 3. Fund balances, governmental funds, last ten fiscal years	164 - 167
Schedule 4. Changes in fund balances, governmental funds, last ten fiscal years	168 - 169
Schedule 5. Assessed value and actual value of taxable property, last ten fiscal years	170 - 171
Schedule 6. Property tax rates, direct and overlapping governments-summary, last ten years	173
Schedule 7. Property tax rates, direct and overlapping governments-detail, last ten years	174 - 177
Schedule 8. Ten largest taxpayers, current year and ten years ago	179
Schedule 9. Property tax levies and collections, last ten fiscal years	180 - 181
Schedule 10. Ratios of outstanding debt by type, last ten fiscal years	182 - 183
Schedule 11. Ratios of net general bonded debt outstanding, last ten fiscal years	185
Schedule 12. Computation of legal debt margin, last ten fiscal years	186 - 187
Schedule 13. Computation of direct and overlapping debt, governmental activities debt	188
Schedule 14. Demographic statistics, last ten fiscal years	189
Schedule 15. Principal employers, current year and ten years ago	190
Schedule 16. Full-time equivalent county government employees by function, last ten years	192 - 193
Schedule 17. Operating indicators by function, last seven years	194 - 195
Schedule 18. Capital asset statistics by function, last ten years	196 - 197

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## Compliance Section

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### Independent Auditor's Report on:

#### Internal Control Over Financial Reporting and on Compliance and

#### Other Matters Based on an Audit of Financial Statements Performed in

Accordance With <i>Government Auditing Standards</i>	201 - 202
--	-----------

#### Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act	203 - 204
---	-----------

#### Compliance for Each Major State Program and Report on Internal Control Over Compliance

in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act	205 - 207
--	-----------

#### Schedule of Findings and Questioned Costs

208 - 211

#### Summary Schedule of Prior Audit Findings

212

#### Schedule of Expenditures of Federal and State Awards

213 - 219

#### Notes to Schedule of Expenditures of Federal and State Awards

220

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# Introductory Section

## **Introductory Section**

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**Letter of Transmittal**

**List of Principal Officials**

**Organizational Chart**

**Map of Carteret County, North Carolina**

**GFOA Certificate of Achievement**

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# CARTERET COUNTY FINANCE

Denise H. Meshaw, CPA  
Assistant County Manager  
Finance Department



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www.carteretcountync.gov

December 15, 2015

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, 2015.

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, 2015 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, 2015, 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 70,000 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 38 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 improve. Annual unemployment average was 5.76% for the County compared to 6.50% in the prior year, and those rates are slightly higher than the state’s average unemployment rate of 5.63%. The tourism industry continues to perform well with an average annual economic impact of \$324.72 million, a 7.25% increase from the previous year. Carteret County ranks thirteenth in the state for tourism. In addition, the county continues to be diverse with manufacturing, distribution, research, construction and marine 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 2015, the Morehead City Port's total tonnage was 1,482,686, with top commodities such as phosphate, woodchips, sulfur products, rubber, and metal products and over 500 employees.

## 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. In addition, the Bask Hotel located on the Morehead City waterfront opened during the spring 2015.

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

<b>Employer</b>	<b>Service</b>	<b>Approximate Number of Employees</b>
Carteret County Public Schools	Education	1,148
Carteret General Hospital	Medical	1,002
NC Department of Transportation	Transportation	610
Carteret County	Government Service	547
Wal-Mart	Retail	408
US Coast Guard	Military	370
Carteret Community College	Education	368
Lowes Home Improvements	Retail	290
Food Lion	Retail	235
Bally Refrigerated Boxes	Manufacturing	184

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, 2016 totals \$103,707,675 with a General Fund tax rate of \$.30 per \$100 of assessed value, based on a total valuation of \$14.49 billion. The County's assessed value represents approximately a 5.70% decrease from the assessed value used in the June 30, 2015 budget. The decrease is due to the County completing its 4 year revaluation cycle for real property. The County anticipates slight growth in its tax base going forward. For the County's operating budget for the fiscal year June 30, 2017, 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.

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 2016. In fiscal year 2015, the County developed a facilities master plan to address space needs and current building conditions for social services, courts, Sheriff Division, and County administration needs. The plan is an approximate \$79 million plan that is broken out in multiple phases over a 15 year period. The County Board of Commissioners will begin reviewing and evaluating the plan; however, no formal action has been taken at this time. If the plan or a portion of the plan was implemented over time, the County anticipates funding the plan with a combination of long term debt and pay as you go. 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 2016 budget to improve public safety. The fiscal year 2016 budget funds equipment and expanded staffing levels.

The County continues to place emphasis on its employees. The County's contracted classification and compensation study was presented to the Board of Commissioners in the fall of 2015. The fiscal year 2016 budget includes funding to implement the remaining portion of the study.

In fiscal year 2013, the County completed its \$3.51 million water system improvement project. In fiscal year 2016, the County continues to fund pay as you go capital improvements to improve efficiency in operations. Due to the improvements completed in 2013, the County does not have any major water system projects planned for the next few years.

## **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, 2014. 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, appearing to read "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, 2015

### BOARD OF COMMISSIONERS

ROBIN COMER  
Chairman  
Stella, North Carolina

JONATHAN ROBINSON  
Vice Chairman  
Atlantic, North Carolina

ELAINE CRITTENTON  
Mill Creek, North Carolina

JIMMY FARRINGTON  
Emerald Isle, North Carolina

TERRY FRANK  
Morehead City, North Carolina

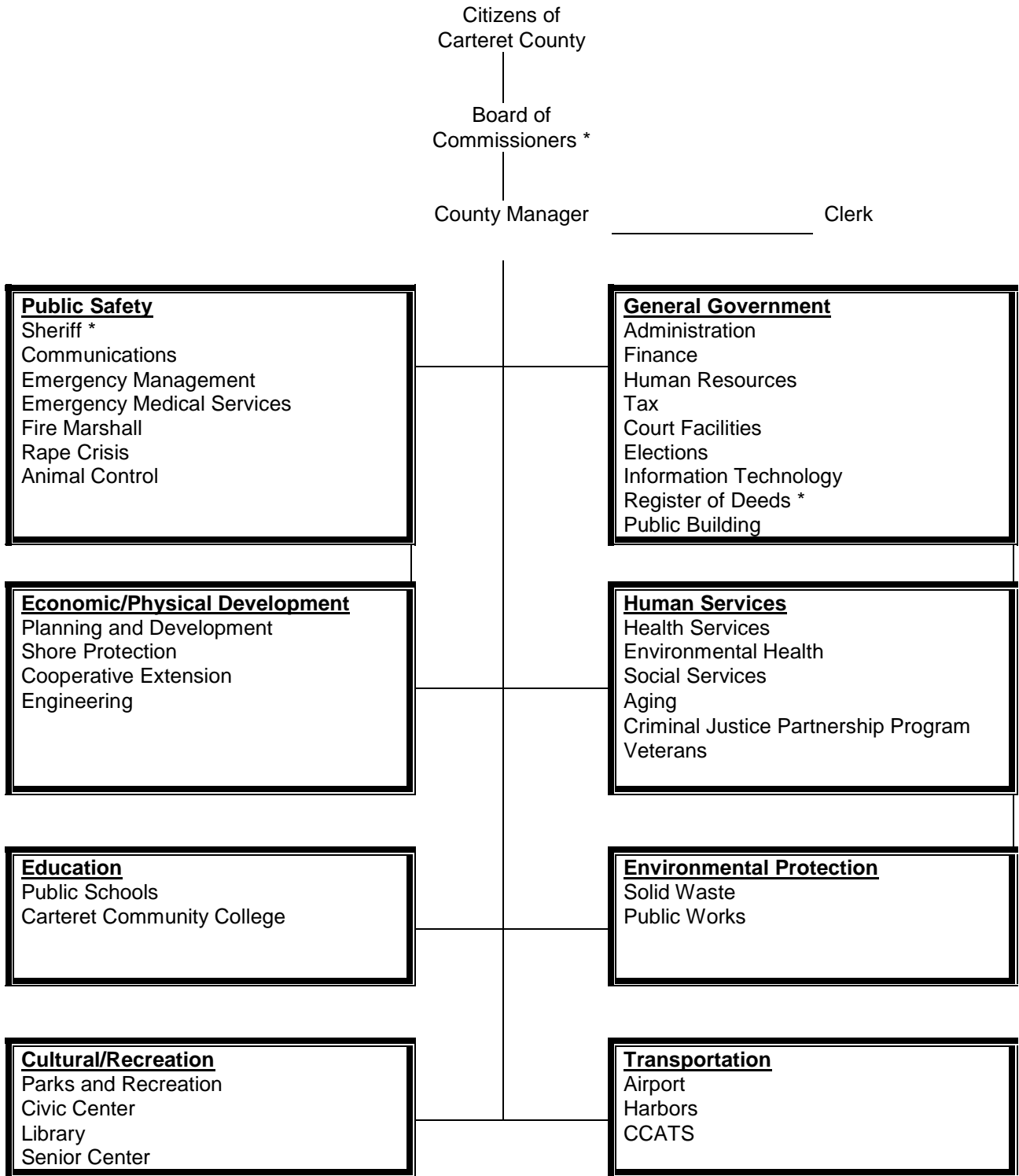
MARK MANSFIELD  
Morehead City, North Carolina

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
Jerry Hardesty	Register of Deeds
David Atkinson	Human Services Director
Eugene Foxworth	Planning and Development Director
Ray Hall	Information Technology Director
John Ford	Emergency Management Director
Tina Purifoy	Parks and Recreation/ Civic Center Director
Carl Tilghman	Tax Administrator

**Carteret County, North Carolina  
Organizational Chart**



\* Elected Officials

**MAP OF  
CARTERET COUNTY, NORTH CAROLINA**



<u>Carteret County</u>	
Population	70,079
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, 2014**

Executive Director/CEO



# Financial Section

# **Financial Section**

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**Independent Auditor's Report**

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

**Basic Financial Statements**

**Notes to Financial Statements**

**Required Supplementary Information**

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## Independent Auditor's Report

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

RSM US LLP

### 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 (the County), as of and for the year ended June 30, 2015, 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 County'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.

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## **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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund and the occupancy tax fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 19 to the financial statements, in the year ended June 30, 2015, the County adopted new accounting guidance in Governmental Accounting Standards Board Statement Number 68, *Accounting and Financial Reporting for Pensions – An amendment of GASB Statement No. 27*, and Governmental Accounting Standards Board Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 17 through 27, the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions, the Other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions, the Local Governmental Employees' Retirement System Schedules of the County's Proportionate Share of the Net Pension Asset and County Contributions, and the Register of Deeds' Supplemental Pension Fund Schedules of the County's Proportionate Share of the Net Pension Asset and County Contributions on pages 99 through 106, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual non-major fund financial statements and schedules and other schedules listed in the table of contents as "Other Supplementary Information" as well as 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 non-major 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, 2015, 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.

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

Morehead City, North Carolina  
December 15, 2015

**RSM US LLP, an Iowa limited liability partnership, is doing business as McGladrey LLP in the state of North Carolina and is a CPA firm registered with the North Carolina State Board of Certified Public Accountants under the name McGladrey LLP. Rules permitting the use of RSM US LLP have been published in the North Carolina Register and are pending final approval.**



# Management Discussion and Analysis

## Carteret County, North Carolina

### Management's Discussion and Analysis (Unaudited) June 30, 2015

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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, 2015. 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

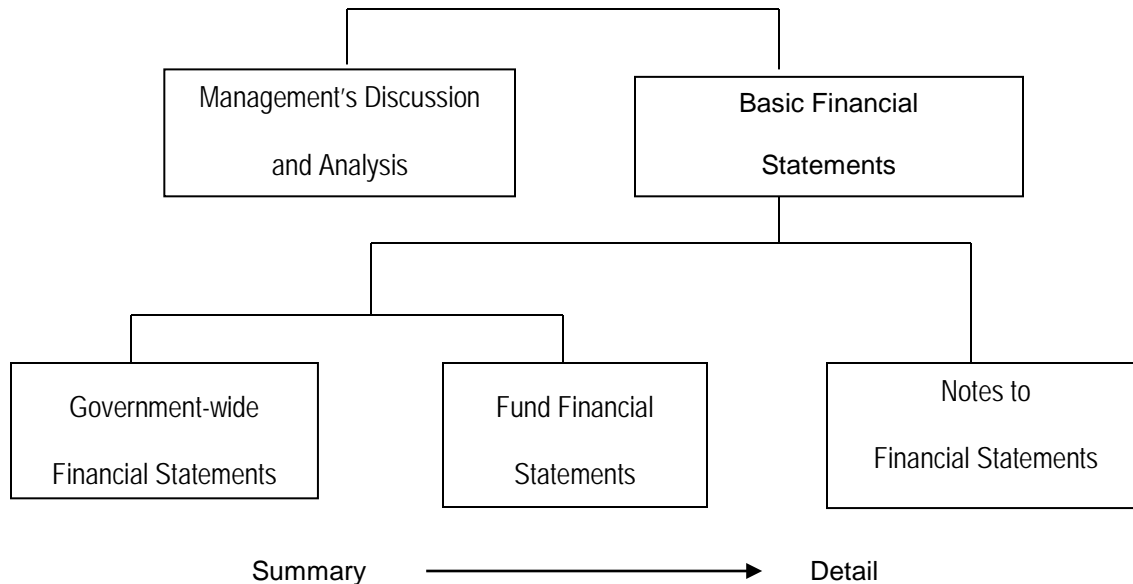
- The assets and deferred outflows of resources of Carteret County (primary government) were greater than its liabilities and deferred inflows of resources at the close of the fiscal year by \$43,706,488 (*net position*).
- The government's total net position increased by \$9,713,769, due to the 1% increase in the occupancy tax levy, 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 \$63,672,491, after a net increase in fund balance of \$4,090,072. Approximately 53.73 percent of this total amount or \$34,209,622 is restricted, committed or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$30,644,570 or 40.19 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 \$5,382,409 due to retiring debt principal.
- The County maintained its AA+ (Standard & Poor's and Fitch Ratings) and Aa1 (Moody's Investor Services) for the fourth 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.

## Carteret County, North Carolina

### Management's Discussion and Analysis (Unaudited) June 30, 2015

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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 - 39 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 four 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 45 - 96 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 99 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 \$43,706,488 as of June 30, 2015. The County's net position increased by \$9,713,769 for the fiscal year ended June 30, 2015. Net position is reported in three categories: net investment in capital assets of \$27,870,662, restricted net position of \$23,967,802, and unrestricted net position (deficit) of (\$8,131,976).

**Carteret County, North Carolina**

**Management's Discussion and Analysis (Unaudited)  
June 30, 2015**

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, 2015, the unrestricted net position of governmental activities reported a deficit of \$8,131,976. Of the County's net position, \$23,967,802 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 \$47.01 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	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 74,572,630	\$ 67,913,618	\$ 993,558	\$ 851,225	\$ 75,566,188	\$ 68,764,843
Capital assets	23,536,938	25,107,027	7,951,980	8,358,722	31,488,918	33,465,749
<b>Total assets</b>	<b>98,109,568</b>	<b>93,020,645</b>	<b>8,945,538</b>	<b>9,209,947</b>	<b>107,055,106</b>	<b>102,230,592</b>
<b>Total deferred outflows of resources</b>	<b>4,005,032</b>	<b>1,970,041</b>	<b>15,296</b>	<b>-</b>	<b>4,020,328</b>	<b>1,970,041</b>
Long-term liabilities						
outstanding	55,638,919	60,885,791	2,830,479	3,022,344	58,469,398	63,908,135
Other liabilities	5,023,589	4,437,210	136,267	134,139	5,159,856	4,571,349
<b>Total liabilities</b>	<b>60,662,508</b>	<b>65,323,001</b>	<b>2,966,746</b>	<b>3,156,483</b>	<b>63,629,254</b>	<b>68,479,484</b>
<b>Total deferred inflows of resources</b>	<b>3,695,385</b>	<b>50,835</b>	<b>44,307</b>	<b>-</b>	<b>3,739,692</b>	<b>50,835</b>
Net position:						
Net investment in capital assets	22,736,938	23,480,626	5,133,724	5,353,434	27,870,662	28,834,060
Restricted	23,967,802	20,852,514	-	-	23,967,802	20,852,514
Unrestricted	(8,948,033)	(14,716,290)	816,057	700,030	(8,131,976)	(14,016,260)
<b>Total net position</b>	<b>\$ 37,756,707</b>	<b>\$ 29,616,850</b>	<b>\$ 5,949,781</b>	<b>\$ 6,053,464</b>	<b>\$ 43,706,488</b>	<b>\$ 35,670,314</b>

**Carteret County, North Carolina**

**Management's Discussion and Analysis (Unaudited)  
June 30, 2015**

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**Governmental activities:** Governmental activities increased the County's net position by \$9,713,769 from fiscal year 2015. Key elements of this increase are as follows:

- Increases in property tax revenue were approximately \$1.38 million and was due to some growth in the County tax base as well as a one cent tax rate increase in the General Fund.
- Increases in other taxes were approximately \$2.40 million from the prior fiscal year. The Board of Commissioners increased the occupancy tax levy by 1% in FY14, and FY15 was the first complete fiscal year of the additional levy. In addition, there was sales tax growth.
- Increases in the operating grants and other revenues categories were approximately \$1.70 million. Operating grant revenue increased \$1.23 million and was due to program expenses eligible for state and federal reimbursements.
- Overall, expenses increased \$5.08 million from the previous year. Education expenses made up most of the increase, approximately \$3.33 million of the total \$5.08 million increase.
- 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 \$80,551. Even though revenues were greater than projected, and expenses were less than projected, net position decreased for fiscal year ending June 30, 2015. 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, 2015

The County's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 5,642,618	\$ 5,591,531	\$ 576,057	\$ 562,238	\$ 6,218,675	\$ 6,153,769
Operating grants and contributions	13,887,716	12,661,540	-	-	13,887,716	12,661,540
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	52,302,979	50,921,192	-	-	52,302,979	50,921,192
Other taxes	21,276,634	18,880,889	-	-	21,276,634	18,880,889
Other	1,929,563	1,455,352	3,363	3,487	1,932,926	1,458,839
<b>Total revenues</b>	<b>95,039,510</b>	<b>89,510,504</b>	<b>579,420</b>	<b>565,725</b>	<b>95,618,930</b>	<b>90,076,229</b>
Expenses:						
General government	6,949,982	6,442,611	-	-	6,949,982	6,442,611
Public safety	19,162,990	18,792,650	-	-	19,162,990	18,792,650
Transportation	1,442,425	1,076,768	-	-	1,442,425	1,076,768
Economic and physical development	5,538,785	5,031,505	-	-	5,538,785	5,031,505
Environmental protection	3,417,029	3,158,629	-	-	3,417,029	3,158,629
Human services	15,635,355	15,324,864	-	-	15,635,355	15,324,864
Cultural and recreation	3,711,166	3,783,152	-	-	3,711,166	3,783,152
Education	27,466,650	24,135,533	-	-	27,466,650	24,135,533
Interest on long-term debt	1,596,808	2,097,621	-	-	1,596,808	2,097,621
Water	-	-	983,971	1,027,308	983,971	1,027,308
<b>Total expenses</b>	<b>84,921,190</b>	<b>79,843,333</b>	<b>983,971</b>	<b>1,027,308</b>	<b>85,905,161</b>	<b>80,870,641</b>
<b>Increase (decrease) in net position before special item and transfers</b>	<b>10,118,320</b>	<b>9,667,171</b>	<b>(404,551)</b>	<b>(461,583)</b>	<b>9,713,769</b>	<b>9,205,588</b>
Special item	-	1,128,496	-	-	-	1,128,496
Transfers	(324,000)	(300,000)	324,000	300,000	-	-
<b>Increase (decrease) in net position</b>	<b>9,794,320</b>	<b>10,495,667</b>	<b>(80,551)</b>	<b>(161,583)</b>	<b>9,713,769</b>	<b>10,334,084</b>
Net position, beginning, previously reported						
	29,616,850	19,121,183	6,053,464	6,215,047	35,670,314	25,336,230
Restatement	(1,654,463)	-	(23,132)	-	(1,677,595)	-
Net position, July 1, restated	27,962,387	19,121,183	6,030,332	6,215,047	33,992,719	25,336,230
Net position, June 30	\$ 37,756,707	\$ 29,616,850	\$ 5,949,781	\$ 6,053,464	\$ 43,706,488	\$ 35,670,314

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 \$30,644,570, while total fund balance reached \$53,772,347. As a measure of the General Fund's liquidity, it may be useful to compare both available

## **Carteret County, North Carolina**

### **Management's Discussion and Analysis (Unaudited) June 30, 2015**

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fund balance and total fund balance to total fund expenditures. The County currently has an available fund balance of 40.19 percent of general fund expenditures, while total fund balance represents 70.52 percent of that same amount. The County's available fund balance increased \$552,519 due to the decrease in the FY16 fund balance appropriation. Also revenues and other sources exceeded expenditures and other uses by approximately \$2.08 million. Of the \$2.08 million, all was restricted fund balance for beach nourishment purposes. Revenues exceeded budgeted amounts by approximately \$1.79 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 \$4.13 million. Human services, economic development, and general government functions had the greatest amounts of coming in under budget.

At June 30, 2015, the governmental funds of the County reported a combined fund balance of \$63,672,491, a 6.87 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 2015, the County's financial picture was good. Revenues were more than budgeted by a net amount of \$1,790,991. Ad valorem taxes and sales taxes revenues were \$1,424,909 greater than budgeted. In addition, intergovernmental and miscellaneous exceeded the budget amounts by \$530,020. However, this revenue is partially offset by fees, sales and services 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 \$508,276 and expenditure appropriations by \$2,655,595. 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 \$4.13 million, and most of the savings were in the human services programs of \$1.37 million, economic and physical development programs of \$1.09 million, as well as general government, public safety, environmental protections and culture and recreation.

**Carteret County, North Carolina**

**Management’s Discussion and Analysis (Unaudited)  
June 30, 2015**

**Proprietary Funds.** The County’s proprietary fund provides 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 \$816,057. The increase in unrestricted net position is due to net investment in capital assets decreased from the previous year which resulted in unrestricted net position increasing. Expenses were less than projected; however, net position decreased due to depreciation expense. 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 2015, \$324,000 was transferred from the water taxing district compared to \$300,000 in fiscal year 2014.

**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, 2015, totals \$31,488,918 (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:

- Purchase of vehicles in departments including six Sheriff Department vehicles
- Technology equipment.
- Water fund assets included the purchase of equipment.

**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	
	2015	2014	2015	2014	2015	2014
Land	\$ 5,619,728	\$ 5,545,684	\$ 222,608	\$ 222,608	\$ 5,842,336	\$ 5,768,292
Buildings	9,401,124	10,190,910	1,295,106	1,365,749	10,696,230	11,556,659
Water lines	-	-	6,366,886	6,697,921	6,366,886	6,697,921
Vehicles	928,900	934,656	15,238	19,809	944,138	954,465
Equipment	888,598	1,065,851	52,142	52,635	940,740	1,118,486
Other improvements	4,746,570	5,288,386	-	-	4,746,570	5,288,386
Leasehold improvements	1,952,018	2,081,540	-	-	1,952,018	2,081,540
Construction in progress	-	-	-	-	-	-
<b>Total</b>	<b>\$ 23,536,938</b>	<b>\$ 25,107,027</b>	<b>\$ 7,951,980</b>	<b>\$ 8,358,722</b>	<b>\$ 31,488,918</b>	<b>\$ 33,465,749</b>

**Carteret County, North Carolina**

**Management's Discussion and Analysis (Unaudited)  
June 30, 2015**

**General Obligation, Capital Leases and Installment Notes Payable**

**Long-Term Debt.** As of June 30, 2015, the County had total general obligation bonded debt outstanding of \$33,475,000, 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.

	Carteret County's Outstanding Debt					
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 33,475,000	\$ 36,545,000	\$ -	\$ -	\$ 33,475,000	\$ 36,545,000
Certificate of participation	3,090,000	3,560,000	-	-	3,090,000	3,560,000
Revenue bond	-	-	1,030,000	1,046,000	1,030,000	1,046,000
Installment note payable	11,709,696	13,365,073	1,788,256	1,959,288	13,497,952	15,324,361
<b>Total long-term debt</b>	<b>\$ 48,274,696</b>	<b>\$ 53,470,073</b>	<b>\$ 2,818,256</b>	<b>\$ 3,005,288</b>	<b>\$ 51,092,952</b>	<b>\$ 56,475,361</b>

The County's total debt decreased \$5,382,409 (excluding deferred amounts) during the past fiscal year. The decrease is due to retiring debt principal. Also, the County issued \$12.25 million general obligation bonds to advance refund \$11.3 million callable 2007 general obligation bonds that resulted in over \$659,000 debt interest savings over the next 9 years.

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

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

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

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin at June 30, 2015, for the County is \$1,168,588,607.

Additional information regarding the County's long-term debt can be found in Note 9 on pages 69 - 76 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, 2015, the unemployment rate for the County averaged 5.76%, compared to the 6.50% for fiscal year 2014. This compares favorably to the state's average unemployment rate of 5.68% for fiscal year 2015. 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, 2016. The County adopted an ad valorem tax rate of \$.30 cents per \$100 assessed value in fiscal year 2016. The County's four year revaluation of real property was implemented fiscal year 2016, and property values decreased approximately 5.70% from the previous year's budgeted values. Even with the property value decrease, the County maintained a 30 cent property tax rate, the same tax rate as fiscal year 2015.

**Management's Discussion and Analysis (Unaudited)  
June 30, 2015**

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**Budget Highlights for the Fiscal Year Ending June 30, 2016**

**Governmental Activities:** The County has approved an \$84.12 million general fund budget for fiscal year 2016, which represents a \$16.4 million or 16.3% decrease from fiscal year 2015 budget. The net decrease in the budget is primarily due to \$12.26 million decrease in debt service due to \$12.25 million general obligation bonds issued to advance refund \$11.3 million callable 2007 general obligation bonds. In addition, public school operations and capital funding decrease \$2.75 million. Other decreases are reductions for transportation, economic development, and transfers for County capital projects.

In the budget, the County's Board of Commissioners maintained the General Fund ad valorem property tax rate per \$100 assessed valuation of 30 cents. As discussed earlier, the County's four year real property revaluation was completed and implemented in the FY16 budget. Property values decrease overall an estimated 5.7% from the FY15 budgeted values. Current year tax revenues are projected to generate \$42.42 million. Due to growth in sales tax revenue, the County budgeted a 5.26% increase that generates approximately \$646,000 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 2016 General Fund budgets approximately \$3.72 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 and operating education expenditures total \$23,499,000 or 27.93% of the fiscal year 2016 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 FY16, the Water Fund adopted budget is \$895,000 for operations, debt service and equipment. FY16 annual debt service is approximately \$265,000.

**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, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 6,635,877	\$ 871,592	\$ 7,507,469
Investments	50,228,364	-	50,228,364
Receivables (net)	12,180,475	59,769	12,240,244
Due from component unit	162,041	-	162,041
Inventories	-	-	-
Prepaid items	-	-	-
Restricted assets:			
Cash and cash equivalents	2,622,767	44,018	2,666,785
Investments	996,850	-	996,850
Net pension asset	1,746,256	18,179	1,764,435
Other assets	-	-	-
Capital assets:			
Land, improvements, and construction in progress	5,619,728	222,608	5,842,336
Other capital assets, net of depreciation	17,917,210	7,729,372	25,646,582
<b>Total capital assets</b>	<b>23,536,938</b>	<b>7,951,980</b>	<b>31,488,918</b>
<b>Total assets</b>	<b>98,109,568</b>	<b>8,945,538</b>	<b>107,055,106</b>
<b>Deferred Outflows of Resources</b>	<b>4,005,032</b>	<b>15,296</b>	<b>4,020,328</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	4,540,957	33,200	4,574,157
Accrued interest payable	482,632	10,257	492,889
Customer deposits	-	92,810	92,810
Due to primary government	-	-	-
Long-term liabilities:			
Due within one year	7,185,345	193,865	7,379,210
Due in more than one year	48,453,574	2,636,614	51,090,188
<b>Total long-term liabilities</b>	<b>55,638,919</b>	<b>2,830,479</b>	<b>58,469,398</b>
<b>Total liabilities</b>	<b>60,662,508</b>	<b>2,966,746</b>	<b>63,629,254</b>
<b>Deferred Inflows of Resources</b>	<b>3,695,385</b>	<b>44,307</b>	<b>3,739,692</b>
<b>Net Position</b>			
Net investment in capital assets	22,736,938	5,133,724	27,870,662
Restricted for:			
Public Safety	4,119,729	-	4,119,729
Economic Development	12,276,773	-	12,276,773
Cultural and Recreation	104,081	-	104,081
Register of Deeds	394,275	-	394,275
Human Services	615,523	-	615,523
Education	-	-	-
Stabilization by State Statute	6,457,421	-	6,457,421
Other purposes	-	-	-
Unrestricted (deficit)	(8,948,033)	816,057	(8,131,976)
<b>Total net position</b>	<b>\$ 37,756,707</b>	<b>\$ 5,949,781</b>	<b>\$ 43,706,488</b>

**Component Units**

	Carteret County Tourism Development Authority	Carteret County General Hospital Corporation	Carteret County ABC Board
<b>\$ 826,607</b>	<b>\$ 882,085</b>	<b>\$ 95,838,008</b>	<b>\$ 987,654</b>
-	-	-	-
19,364	630,244	26,658,776	-
-	-	-	-
-	-	3,136,298	1,307,125
2,252	-	2,793,220	21,463
-	-	4,330,904	-
-	-	-	-
-	-	-	51,485
-	-	1,450,130	-
2,190,175	-	6,207,316	1,149,703
8,311,909	130,295	51,306,368	2,245,995
10,502,084	130,295	57,513,684	3,395,698
11,350,307	1,642,624	191,721,020	5,763,425
-	-	-	47,792
6,150	142,879	18,290,470	932,581
-	-	-	-
-	-	-	-
-	-	-	162,041
-	3,662	551,883	179,947
-	10,985	1,109,519	893,398
-	14,647	1,661,402	1,073,345
6,150	157,526	19,951,872	2,167,967
-	-	8,214,474	125,482
10,502,084	130,295	55,852,282	2,322,353
-	-	-	61,332
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
220,144	630,244	-	-
-	724,559	2,769,006	372,806
621,929	-	104,933,386	761,277
<b>\$ 11,344,157</b>	<b>\$ 1,485,098</b>	<b>\$ 163,554,674</b>	<b>\$ 3,517,768</b>

Carteret County, North Carolina

Statement of Activities  
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 6,949,982	\$ 1,612,251	\$ -	\$ -
Public safety	19,162,990	212,708	1,201,955	-
Transportation	1,442,425	177,027	737,800	-
Economic and physical development	5,538,785	544,236	547,165	-
Environmental protection	3,417,029	2,431,367	149,085	-
Human services	15,635,355	367,114	10,211,027	-
Cultural and recreation	3,711,166	297,915	88,314	-
Education	27,466,650	-	48,172	-
Interest on long-term debt	1,596,808	-	904,198	-
<b>Total governmental activities</b>	<b>84,921,190</b>	<b>5,642,618</b>	<b>13,887,716</b>	<b>-</b>
Business-type activities:				
Water	983,971	576,057	-	-
<b>Total primary government</b>	<b>\$ 85,905,161</b>	<b>\$ 6,218,675</b>	<b>\$ 13,887,716</b>	<b>\$ -</b>
Component units:				
Airport Authority	\$ 499,439	\$ 171,548	\$ 67,290	\$ 221,915
Tourism Development Authority	3,072,672	3,176,406	142,857	-
Hospital	119,864,870	128,597,477	1,189,251	1,399,037
ABC Board	9,537,743	9,692,937	-	-
<b>Total component units</b>	<b>\$ 132,974,724</b>	<b>\$ 141,638,368</b>	<b>\$ 1,399,398</b>	<b>\$ 1,620,952</b>
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 transfers				
Transfers				
<b>Total general revenues and transfers</b>				
<b>Change in net position</b>				
Net position, beginning, previously reported				
Restatement				
Net position, beginning, restated				
Net position, ending				

See Notes to Financial Statements.

**Net (Expense) Revenue and Changes in Net Position**

Primary Government			Component Units			
Governmental Activities	Business-Type Activities	Total	Carteret County			
			Beaufort - Morehead City Airport Authority	Tourism Development Authority	Carteret County General Hospital Corporation	Carteret County ABC Board
\$ (5,337,731)	\$ -	\$ (5,337,731)				
(17,748,327)	-	(17,748,327)				
(527,598)	-	(527,598)				
(4,447,384)	-	(4,447,384)				
(836,577)	-	(836,577)				
(5,057,214)	-	(5,057,214)				
(3,324,937)	-	(3,324,937)				
(27,418,478)	-	(27,418,478)				
(692,610)	-	(692,610)				
(65,390,856)	-	(65,390,856)				
-	(407,914)	(407,914)				
(65,390,856)	(407,914)	(65,798,770)				
			\$ (38,686)	\$ -	\$ -	\$ -
			-	246,591	-	-
			-	-	11,320,895	-
			-	-	-	155,194
			(38,686)	246,591	11,320,895	155,194
52,302,979	-	52,302,979	-	-	-	-
14,800,458	-	14,800,458	-	-	-	-
6,476,176	-	6,476,176	-	-	-	-
966,265	-	966,265	-	-	-	13,318
198,419	2,200	200,619	2,542	572	145,500	-
764,879	1,163	766,042	377,430	362	442,254	-
75,509,176	3,363	75,512,539	379,972	934	587,754	13,318
(324,000)	324,000	-	-	-	-	-
75,185,176	327,363	75,512,539	379,972	934	587,754	13,318
9,794,320	(80,551)	9,713,769	341,286	247,525	11,908,649	168,512
29,616,850	6,053,464	35,670,314	11,002,871	1,237,573	151,646,025	3,416,145
(1,654,463)	(23,132)	(1,677,595)	-	-	-	(66,889)
27,962,387	6,030,332	33,992,719	11,002,871	1,237,573	151,646,025	3,349,256
\$ 37,756,707	\$ 5,949,781	\$ 43,706,488	\$ 11,344,157	\$ 1,485,098	\$ 163,554,674	\$ 3,517,768

Carteret County, North Carolina

**Balance Sheet - Governmental Funds**  
**June 30, 2015**

	Governmental Fund Types			
	Major Fund		Total	Total
	General	Occupancy Tax Fund	Non-Major Funds	Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 49,208,736	\$ -	\$ 7,655,505	\$ 56,864,241
Receivables, net	8,840,308	1,270,580	1,147,524	11,258,412
Restricted cash and investments	1,185,301	-	2,434,316	3,619,617
Due from other funds	551,378	-	-	551,378
Due from component units	162,041	-	-	162,041
<b>Total assets</b>	<b>\$ 59,947,764</b>	<b>\$ 1,270,580</b>	<b>\$ 11,237,345</b>	<b>\$ 72,455,689</b>
<b>Liabilities, Deferred Inflows and Fund Balances</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 3,079,111	\$ 630,323	\$ 831,523	\$ 4,540,957
Due to other funds	-	551,378	-	551,378
<b>Total liabilities</b>	<b>3,079,111</b>	<b>1,181,701</b>	<b>831,523</b>	<b>5,092,335</b>
Deferred Inflows of Resources	<b>3,096,306</b>	<b>-</b>	<b>594,557</b>	<b>3,690,863</b>
Fund balances:				
Restricted:				
Register of Deeds	394,275	-	-	394,275
Recreation Districts	104,081	-	-	104,081
Beach Nourishment	10,283,851	-	-	10,283,851
Stabilization by State Statute	6,457,421	-	-	6,457,421
Sheriff's fund	426,804	-	-	426,804
Health programs	615,523	-	-	615,523
Public safety	-	-	881,162	881,162
Rescue protection	-	-	820,427	820,427
Fire protection	-	-	1,656,221	1,656,221
Economic development	1,128,497	1,270,580	224,168	2,623,245
Committed:				
Economic development	-	-	734,594	734,594
Taylor Extended Care	-	-	403,529	403,529
School capital	-	-	2,130,637	2,130,637
Assigned:				
Subsequent year's expenditures	3,717,325	-	2,139,650	5,856,975
County capital	-	-	820,877	820,877
Unassigned	30,644,570	(1,181,701)	-	29,462,869
<b>Total fund balances</b>	<b>53,772,347</b>	<b>88,879</b>	<b>9,811,265</b>	<b>63,672,491</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 59,947,764</b>	<b>\$ 1,270,580</b>	<b>\$ 11,237,345</b>	<b>\$ 72,455,689</b>

See Notes to Financial Statements.

**Carteret County, North Carolina**

**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
June 30, 2015**

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

Total fund balances for governmental funds	<b>\$ 63,672,491</b>
Capital assets used in governmental activities are not current financial resources and, therefore are not reported in the funds	<b>23,536,938</b>
Net pension asset	<b>1,746,256</b>
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	<b>1,145,274</b>
Pension change in proportion and differences in employer contributions and differences in employer contributions and proportionate share of contributions	<b>128,605</b>
Deferred inflows of resources for taxes and special assessments receivable	<b>3,644,794</b>
Pension related deferrals	<b>(3,649,316)</b>
Accrued interest receivable deferred in the fund statements	<b>922,063</b>
Accrued interest payable on long-term debt is not a current financial obligation and, therefore, is not in the funds	<b>(482,632)</b>
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore are not reported in the funds	<b>(55,638,919)</b>
Charges related to advance refunding bond issue	<b>2,731,153</b>
<b>Net position of governmental activities</b>	<b><u>\$ 37,756,707</u></b>

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds  
Year Ended June 30, 2015

	Governmental Fund Types			
	Major Funds		Total	Total
	General	Occupancy Tax Fund	Non-Major Funds	Governmental Funds
<b>Revenues</b>				
Ad valorem taxes	\$ 46,467,789	\$ -	\$ 5,705,886	\$ 52,173,675
Other taxes	13,150,120	6,429,609	1,696,905	21,276,634
Permits and fees	2,592,668	-	-	2,592,668
Intergovernmental	14,297,975	-	556,005	14,853,980
Sales and services	3,049,951	-	-	3,049,951
Interest	173,110	696	24,613	198,419
Miscellaneous	647,154	-	-	647,154
<b>Total revenues</b>	<b>80,378,767</b>	<b>6,430,305</b>	<b>7,983,409</b>	<b>94,792,481</b>
<b>Expenditures</b>				
Current:				
General government	6,689,088	-	-	6,689,088
Public safety	11,171,257	-	7,557,422	18,728,679
Transportation	1,295,944	-	-	1,295,944
Environmental protection	3,395,439	-	-	3,395,439
Economic and physical development	2,374,132	3,176,407	31,534	5,582,073
Human services	15,639,871	-	-	15,639,871
Culture and recreation	3,190,144	-	-	3,190,144
Education	24,173,981	-	-	24,173,981
Capital outlay	-	-	3,538,776	3,538,776
Debt service:				
Principal retirement	6,145,377	-	-	6,145,377
Interest and fees	2,067,935	-	-	2,067,935
Bond issuance cost	107,922	-	-	107,922
<b>Total expenditures</b>	<b>76,251,090</b>	<b>3,176,407</b>	<b>11,127,732</b>	<b>90,555,229</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>4,127,677</b>	<b>3,253,898</b>	<b>(3,144,323)</b>	<b>4,237,252</b>
<b>Other financing sources (uses)</b>				
Debt issuance	12,250,000	-	-	12,250,000
Sale of capital assets	58,782	-	-	58,782
Payment of refunded bond escrow agent	(12,131,962)	-	-	(12,131,962)
Transfer in	3,250,677	-	5,475,000	8,725,677
Transfers out	(5,475,000)	(3,250,677)	(324,000)	(9,049,677)
<b>Total other financing sources (uses)</b>	<b>(2,047,503)</b>	<b>(3,250,677)</b>	<b>5,151,000</b>	<b>(147,180)</b>
<b>Net change in fund balance</b>	<b>2,080,174</b>	<b>3,221</b>	<b>2,006,677</b>	<b>4,090,072</b>
Fund balances				
Beginning	51,692,173	85,658	7,804,588	59,582,419
Ending	\$ 53,772,347	\$ 88,879	\$ 9,811,265	\$ 63,672,491

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, 2015**

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

Net changes in fund balances - total governmental funds	\$ 4,090,072
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.	(1,554,988)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, retirements, and donations) is an increase to net assets.	(15,101)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	1,149,755
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	129,304
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 position. 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	5,995,278
<b>Total changes in net position of governmental activities</b>	<b>\$ 9,794,320</b>

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, 2015

	General Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
<b>Revenues</b>				
Ad valorem taxes	\$ 45,909,000	\$ 45,909,000	\$ 46,467,789	\$ 558,789
Other taxes	12,284,000	12,284,000	13,150,120	866,120
Permits and fees	2,657,800	2,671,557	2,592,668	(78,889)
Intergovernmental	13,792,074	13,940,163	14,297,975	357,812
Sales and services	3,058,110	3,058,110	3,049,951	(8,159)
Interest	250,000	250,000	173,110	(76,890)
Miscellaneous	128,516	474,946	647,154	172,208
<b>Total revenues</b>	<b>78,079,500</b>	<b>78,587,776</b>	<b>80,378,767</b>	<b>1,790,991</b>
<b>Expenditures</b>				
Current:				
General government	7,037,140	7,166,690	6,689,088	477,602
Public safety	10,881,115	11,532,985	11,171,257	361,728
Transportation	1,149,285	1,534,295	1,295,944	238,351
Environmental protection	3,476,330	3,525,749	3,395,439	130,310
Economic and physical development	2,868,890	3,465,231	2,374,132	1,091,099
Human services	16,450,705	17,014,769	15,639,871	1,374,898
Culture and recreation	3,307,715	3,408,388	3,190,144	218,244
Education	24,196,210	24,256,840	24,173,981	82,859
Debt service:				
Principal retirement	6,257,900	6,257,900	6,145,377	112,523
Interest and fees	2,104,500	2,104,500	2,067,935	36,565
Bond issuance costs	-	118,038	107,922	10,116
<b>Total expenditures</b>	<b>77,729,790</b>	<b>80,385,385</b>	<b>76,251,090</b>	<b>4,134,295</b>
<b>Revenues over (under) expenditures</b>	<b>349,710</b>	<b>(1,797,609)</b>	<b>4,127,677</b>	<b>5,925,286</b>
<b>Other financing sources (uses)</b>				
Debt issuance	-	12,250,000	12,250,000	-
Sale of capital assets	-	25,000	58,782	33,782
Payment to refunded bond escrow agent	-	(12,131,962)	(12,131,962)	-
Transfers in	2,834,500	3,326,875	3,250,677	(76,198)
Transfers out	(5,475,000)	(5,475,000)	(5,475,000)	-
Contingency reserves	(3,224,420)	(2,532,075)	-	2,532,075
Appropriated fund balance	5,515,210	6,334,771	-	(6,334,771)
<b>Total other financing sources (uses)</b>	<b>(349,710)</b>	<b>1,797,609</b>	<b>(2,047,503)</b>	<b>(3,845,112)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>2,080,174</b>	<b>\$ 2,080,174</b>
<b>Fund balances</b>				
Beginning			51,692,173	
Ending			<u>\$ 53,772,347</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, 2015

	Occupancy Tax Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
<b>Revenues</b>				
Other taxes:				
Occupancy taxes	\$ 5,600,000	\$ 6,575,000	\$ 6,427,084	\$ (147,916)
Occupancy taxes, penalties and interest	-	-	2,525	2,525
Interest	3,000	3,000	696	(2,304)
<b>Total revenues</b>	<b>5,603,000</b>	<b>6,578,000</b>	<b>6,430,305</b>	<b>(147,695)</b>
<b>Expenditures</b>				
Economic and physical development:				
Tourism:				
Tourism Development Authority	2,728,200	3,251,125	3,176,407	74,718
<b>Total expenditures</b>	<b>2,728,200</b>	<b>3,251,125</b>	<b>3,176,407</b>	<b>74,718</b>
<b>Revenues over expenditures</b>	<b>2,874,800</b>	<b>3,326,875</b>	<b>3,253,898</b>	<b>(72,977)</b>
<b>Other financing uses</b>				
Transfers out	(2,874,800)	(3,326,875)	(3,250,677)	76,198
<b>Total other financing uses</b>	<b>(2,874,800)</b>	<b>(3,326,875)</b>	<b>(3,250,677)</b>	<b>76,198</b>
<b>Revenues over expenditures and other uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>3,221</b>	<b>\$ 3,221</b>
<b>Fund balances</b>				
Beginning			85,658	
Ending			<u>\$ 88,879</u>	

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Fund Net Position - Proprietary Fund  
June 30, 2015

	<u>Water Fund</u>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 871,592
Receivables, net	59,769
Restricted cash and cash equivalents	<u>44,018</u>
<b>Total current assets</b>	<b><u>975,379</u></b>
Noncurrent assets	
Restricted net pension asset	18,179
Capital assets:	
Land, improvements, and construction in progress	222,608
Other capital assets, net of depreciation	<u>7,729,372</u>
<b>Total capital assets</b>	<b><u>7,951,980</u></b>
<b>Total noncurrent assets</b>	<b><u>7,970,159</u></b>
<b>Total assets</b>	<b><u>8,945,538</u></b>
<b>Deferred outflows of resources</b>	<b><u>15,296</u></b>
<b>Liabilities</b>	
Current liabilities	
Accounts payable and accrued expenses	33,200
Customer deposits	92,810
Accrued interest payable	10,257
Current portion of long-term liabilities	<u>193,865</u>
<b>Total current liabilities</b>	<b><u>330,132</u></b>
Noncurrent liabilities	
Installment loan payable and long-term liabilities	<u>2,636,614</u>
<b>Total noncurrent liabilities</b>	<b><u>2,636,614</u></b>
<b>Total liabilities</b>	<b><u>2,966,746</u></b>
<b>Deferred inflows of resources</b>	<b><u>44,307</u></b>
<b>Net Position</b>	
Net investment in capital assets	5,133,724
Unrestricted	<u>816,057</u>
<b>Total net position</b>	<b><u>\$ 5,949,781</u></b>

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, 2015

	<u>Water Fund</u>
Operating revenues	
Charges for services	\$ 576,057
<b>Total operating revenues</b>	<u>576,057</u>
Operating expenses	
Water plant operations	477,698
Depreciation	<u>425,242</u>
<b>Total operating expenses</b>	<u>902,940</u>
<b>Operating loss</b>	<u>(326,883)</u>
<b>Nonoperating revenues (expenses)</b>	
Interest revenue	2,200
Interest expense	(81,031)
Miscellaneous	<u>1,163</u>
<b>Total nonoperating revenues (expenses)</b>	<u>(77,668)</u>
<b>Loss before contributions and transfers</b>	(404,551)
Transfers in	<u>324,000</u>
<b>Change in net position</b>	<u>(80,551)</u>
Total net position	
Beginning	6,053,464
Restatement	<u>(23,132)</u>
Net position, beginning, restated	<u>6,030,332</u>
Ending	<u>\$ 5,949,781</u>

Carteret County, North Carolina

Statement of Cash Flows - Proprietary Fund  
Year Ended June 30, 2015

	Water Fund
Cash flows from operating activities	
Cash received from customers	\$ 561,752
Cash paid for goods and services	(219,561)
Cash paid to employees for services	(276,185)
Customer deposits received	3,880
<b>Net cash provided by operating activities</b>	<b>69,886</b>
Cash flows from noncapital financing	
Transfers in	324,000
<b>Net cash provided by noncapital financing</b>	<b>324,000</b>
Cash flows from capital and related financing activities	
Principal paid on installment debt	(187,032)
Interest paid on installment debt	(81,868)
Proceeds from sale of assets	1,163
Acquisition of capital assets	(18,500)
<b>Net cash used by capital and related financing activities</b>	<b>(286,237)</b>
Cash flows provided by investing activities	
Interest on investments	2,200
<b>Net increase in cash and cash equivalents</b>	<b>109,849</b>
Cash and cash equivalents:	
Beginning	805,761
Ending (including restricted of \$44,018)	<b>\$ 915,610</b>

(Continued)

Carteret County, North Carolina

Statement of Cash Flows - Proprietary Fund (Continued)  
Year Ended June 30, 2015

	Water Fund
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (326,883)
Pension expense	2,996
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	425,242
Changes in assets and liabilities:	
Increase in accounts receivable	(14,305)
Decrease in accounts payable and accrued liabilities	(915)
Increase in customer deposits	3,880
Decrease in accrued vacation pay	(4,833)
Increase in deferred outflows of resources	(15,296)
<b>Net cash provided by operating activities</b>	<b>\$ 69,886</b>

**Carteret County, North Carolina**

**Statement of Fiduciary Net Position - Fiduciary Funds  
June 30, 2015**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	<u>\$ 152,915</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	<u>\$ 152,915</u>

See Notes to Financial Statements.

# Notes to Financial Statements

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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.

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**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 (“Airport”):** The 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 (“TDA”):** The 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. The TDA receives substantially all its revenue from an occupancy tax implemented, and revocable, by the County Commissioners and 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

Notes to Financial Statements

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

**Carteret County Industrial Facility and Pollution Control Financing Authority (“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 (“Corporation”):** The 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, 2015.

**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

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**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 non-major 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.

*Non-major Funds:* The County maintains ten non-major 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 non-major special revenue funds. The County Capital Reserve Fund, County Capital Improvements Fund, School Special Projects Fund, and the Morehead Elementary School Fund are reported as capital projects funds.

Notes to Financial Statements

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**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 the Water Operating fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for those capital projects funds and special revenue funds which do not adopt annual budgets and water construction projects. In accordance with the Local Government Budget and Fiscal Control Act, the County follows these procedures in establishing the budgetary data reflected in the financial report:

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

**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, USDA revenue bond compliance requires restricted cash, as well as other miscellaneous restricted accounts.

## Carteret County, North Carolina

### Notes to Financial Statements

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#### 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, 2014 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

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**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 statement 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 several items that meet this criterion- a charge on refunding, pension-related deferrals, and contributions made to the pension plan in the current fiscal year. In addition to liabilities, the statement of financial position and balance sheet 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 two items that meet the criterion for this category – prepaid taxes and other pension-related deferrals.

**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 fund financial statements, 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

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**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, as amended by GASB Statement No. 63, 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 represents 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, 2015:

- 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, 2015. 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 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 through the budget ordinance 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 to amend the budget ordinance. 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, 2015:

- 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, 2015:

- 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.

**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.

Defined Benefit Pension Plans: The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LGERS) and the Registers of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "state-administered defined benefit pension plans"). For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

**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 (\$25,915,784) consists of several elements as follows:

Carteret County, North Carolina

Notes to Financial Statements

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

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	\$ 59,793,326
Less accumulated depreciation	36,256,388
<b>Net capital assets</b>	<u>23,536,938</u>
Net pension asset	1,746,256
Contributions to the pension plan in the current fiscal year	1,145,274
Pension change in proportion and differences in employer contributions and differences in employer contributions and proportionate share of contributions	128,605
Deferred charges related to advance refunding bond issued - included on government-wide statement of net position but are not a current financial resources	2,731,153
Accrued interest receivable	922,063
Liabilities for deferred inflows of resources reported in the fund statements but not in the government-wide statements	3,644,794
Pension related deferrals	(3,649,316)
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	(48,274,696)
Premiums on refundings	(2,680,697)
Accrued interest payable	(482,632)
Compensated absences	(1,331,590)
Accrued postemployment and retirement obligations	(3,351,936)
<b>Long-term liabilities</b>	<u>(56,121,551)</u>
<b>Total adjustment</b>	<u><u>\$ (25,915,784)</u></u>

## Notes to Financial Statements

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

2. Explanation of certain differences between the governmental 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 \$5,704,248 as follows:

<b>Description</b>	<b>Amount</b>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 737,857
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	(2,292,845)
Loss on disposed capital assets not recorded in the fund statements	(15,101)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statements of activities - it only affects the government-wide statement of net position	(12,250,000)
Payments to escrow agent on refunded debt	12,131,962
Principal payments on debt owed are recorded as an use of funds on the fund statements but again affect only the statement of net position in the government-wide statements.	6,145,377
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.	349,244
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	1,149,755
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	(47,399)
Other postemployment benefits	(321,200)
County's portion of collective pension expense	(124,473)
Decrease in interest payable on long-term debt at June 30, 2015	111,767
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Increase in deferred inflows of resources - taxes receivable - as of June 30, 2015	46,481
Increase in accrued interest on taxes receivable for year ended June 30, 2015	82,823
<b>Total adjustment</b>	<b>\$ 5,704,248</b>

## **Carteret County, North Carolina**

### **Notes to Financial Statements**

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#### **Note 2. Stewardship, Compliance, and Accountability**

Component Unit information:

For the ABC Board for the fiscal year ended June 30, 2015, the expenditures made in the Proprietary Fund exceeded the authorized appropriations made by the governing board for taxes based on revenues by \$142,809, for cost of goods sold by \$593,978, and for distributions by \$790,679.

For the Airport Authority for fiscal year ended June 30, 2015, the expenditures made in the Authority's General Fund exceeded the authorized appropriations made by the governing board for the general government activities by \$5,500.

#### **Note 3. Cash and Investments**

Cash on hand:

The County had \$2,400 in petty cash on hand at June 30, 2015.

Component unit information:

The Hospital had \$22,818 in cash on hand at September 30, 2014.

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, 2015, the County's deposits, excluding petty cash and agency fund deposits had a carrying amount of \$10,171,854 and a bank balance of \$11,089,878. Of the bank balance, \$3,795,040 was covered by federal depository insurance and \$7,294,838 was covered by collateral held under the Pooling Method. Restricted cash deposits, excluding agency funds, in the amount of \$2,666,785 is as follows: held in noninterest-bearing deposits for banking services in the amount of \$76,074, \$112,377 for capital projects, \$2,434,316 is restricted for fire and rescue special taxing districts, and \$44,018 in the Water Fund is restricted in accordance with the County's USDA revenue bond requirements.

At June 30, 2015, the County's agency fund deposits had a carrying amount of \$152,915 and a bank balance of \$154,263. All of the bank balance was covered by federal depository insurance.

**Carteret County, North Carolina**

**Notes to Financial Statements**

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**Note 3. Cash and Investments (Continued)**

Component unit information:

At June 30, 2015, the carrying amount of deposits for the TDA with financial institutions was \$822,736 and the bank balance was \$959,415. 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, 2015, the carrying amount of deposits and petty cash for the Airport was \$426,607 and the bank balance was \$833,373. Of the bank balance, \$265,735 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

At September 30, 2014, the carrying amount of the Hospital's deposits was \$100,168,912 and the bank balance was \$94,432,681. Of the carrying amount, \$22,670 was cash on hand. Of the bank balance, \$44,805,911 was covered by federal depository insurance and the remainder is collateralized by the pooling method.

At June 30, 2015, the carrying amount of deposits for the ABC Board was \$980,254 and the bank balance was \$945,604. Of the bank balance, \$483,653 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

Investments:

At June 30, 2015, the County had the following investments and maturities.

Investment Type	Fair Value	Less Than		
		1 Year	1-5 Years	6-10 Years
US Government Agencies	\$ 10,983,747	\$ 996,850	\$ 8,990,377	\$ 996,520
NC Capital Management Trust Cash Portfolio	39,844,195	39,844,195	N/A	N/A
NC Capital Management Trust Term Portfolio	397,272	397,272	-	-
<b>Total</b>	<b>\$ 51,225,214</b>	<b>\$ 41,238,317</b>	<b>\$ 8,990,377</b>	<b>\$ 996,520</b>

**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, 2015, the County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. The County's investments in US Government Agencies (Federal Home Loan Bank, Federal National Mortgage Association and Federal Farm Credit Bank) are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service.

**Note 3. Cash and Investments (Continued)**

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

**Concentration of credit risk.** The County places no limit on the amount that the County may invest in any one issuer. More than 5 percent of the County's investments are in Federal Home Loan Bank Securities, \$5,982,342 (11.68%). 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, 2015, the County had restricted investments in the governmental activities of \$996,850. In the General Fund there are restricted investments of \$996,850 for Qualified Zone Academy Bond debt service.

Component unit information

At June 30, 2015, the TDA had \$59,349 invested in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAm by Standard and Poor's. The TDA 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, 2015:

	<b>Governmental Activities</b>	<b>Business-Type Activity, Water</b>	<b>Total</b>
Receivables:			
Interest	\$ 922,063	\$ -	\$ 922,063
Taxes	3,483,556	-	3,483,556
Accounts	485,756	59,769	545,525
Intergovernmental	6,307,745	-	6,307,745
Other	1,270,580	-	1,270,580
<b>Gross receivables</b>	<b>12,469,700</b>	<b>59,769</b>	<b>12,529,469</b>
Less allowance for uncollectibles	(289,225)	-	(289,225)
<b>Net total receivables</b>	<b>\$ 12,180,475</b>	<b>\$ 59,769</b>	<b>\$ 12,240,244</b>

**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
2012	\$ 213,543	\$ 50,716	\$ 264,259
2013	221,787	32,714	254,501
2014	234,623	13,491	248,114
2015	423,460	-	423,460
<b>Total</b>	<b>\$ 1,093,413</b>	<b>\$ 96,921</b>	<b>\$ 1,190,334</b>

Component unit information

The Hospital's receivables of \$26,658,776 are net of an allowance for doubtful accounts of approximately \$20,804,646. Approximately 63% 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, 2015:

	Capital Assets July 1, 2014	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2015
Governmental activities:					
Capital assets, not being depreciated:					
Land, airport	\$ 169,549	\$ -	\$ -	\$ -	\$ 169,549
Land, other	5,376,135	74,044	-	-	5,450,179
<b>Total capital assets not being depreciated</b>	<b>5,545,684</b>	<b>74,044</b>	<b>-</b>	<b>-</b>	<b>5,619,728</b>
Capital assets, being depreciated:					
Buildings	27,485,901	-	(22,099)	-	27,463,802
Vehicles	5,153,779	367,041	(637,388)	-	4,883,432
Equipment	7,068,214	296,772	-	-	7,364,986
Airport facilities	1,524,747	-	-	-	1,524,747
Other improvements	10,346,203	-	-	-	10,346,203
Leasehold improvements	2,590,428	-	-	-	2,590,428
<b>Total capital assets being depreciated</b>	<b>54,169,272</b>	<b>663,813</b>	<b>(659,487)</b>	<b>-</b>	<b>54,173,598</b>
Less accumulated depreciation for:					
Buildings	17,294,991	774,685	(6,998)	-	18,062,678
Vehicles	4,219,123	372,797	(637,388)	-	3,954,532
Equipment	6,002,363	474,025	-	-	6,476,388
Airport facilities	1,524,747	-	-	-	1,524,747
Other improvements	5,057,817	541,816	-	-	5,599,633
Leasehold improvements	508,888	129,522	-	-	638,410
<b>Total accumulated depreciation</b>	<b>34,607,929</b>	<b>\$ 2,292,845</b>	<b>\$ (644,386)</b>	<b>\$ -</b>	<b>36,256,388</b>
<b>Total capital assets, being depreciated, net</b>	<b>19,561,343</b>				<b>17,917,210</b>
<b>Governmental activity capital assets, net</b>	<b>\$ 25,107,027</b>				<b>\$ 23,536,938</b>

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

Governmental activities:	
General government	\$ 392,707
Public Safety	832,754
Transportation	125,534
Economic & Physical Development	12,968
Human Services	348,361
Culture & Recreation	545,064
Environmental Protection	35,457
<b>Total depreciation expense - governmental activities</b>	<b>\$ 2,292,845</b>

Carteret County, North Carolina

Notes to Financial Statements

Note 5. Capital Assets (Continued)

	Capital Assets July 1, 2014	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2015
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 222,608	\$ -	\$ -	\$ -	\$ 222,608
<b>Total capital assets, not being depreciated</b>	<b>222,608</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>222,608</b>
Capital assets, being depreciated:					
Buildings	2,119,264	-	-	-	2,119,264
Infrastructure	9,618,564	-	-	-	9,618,564
Vehicles	37,231	-	-	-	37,231
Equipment	147,948	18,500	-	-	166,448
<b>Total capital assets, being depreciated</b>	<b>11,923,007</b>	<b>18,500</b>	<b>-</b>	<b>-</b>	<b>11,941,507</b>
Less accumulated depreciation for:					
Buildings	753,515	70,643	-	-	824,158
Infrastructure	2,920,643	331,035	-	-	3,251,678
Vehicles	17,422	4,571	-	-	21,993
Equipment	95,313	18,993	-	-	114,306
<b>Total accumulated depreciation</b>	<b>3,786,893</b>	<b>\$ 425,242</b>	<b>\$ -</b>	<b>\$ -</b>	<b>4,212,135</b>
<b>Total capital assets, being depreciated, net</b>	<b>8,136,114</b>				<b>7,729,372</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 8,358,722</b>				<b>\$ 7,951,980</b>

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 Hospital's capital assets at September 30, 2014:

	Balance September 30, 2013	Additions	Retirements	Adjustment and Transfers	Balance September 30, 2014
Capital assets:					
Capital assets, not being depreciated:					
Construction in progress	\$ 25,386	\$ 18,353,161	\$ -	\$ (15,608,746)	\$ 2,769,801
Land	3,437,515	-	-	-	3,437,515
<b>Total capital assets, not being depreciated</b>	<b>3,462,901</b>	<b>18,353,161</b>	<b>-</b>	<b>(15,608,746)</b>	<b>6,207,316</b>
Capital assets, being depreciated:					
Land improvements	859,821	-	-	-	859,821
Buildings and improvements	31,647,279	655,659	-	14,903,188	47,206,126
Equipment	70,161,445	2,880,279	-	(5,169,860)	67,871,864
<b>Total capital assets, being depreciated</b>	<b>102,668,545</b>	<b>3,535,938</b>	<b>-</b>	<b>9,733,328</b>	<b>115,937,811</b>
Less accumulated depreciation:					
Land improvements	746,210	19,209	-	-	765,419
Buildings and improvements	12,917,822	1,377,905	-	(13,543)	14,282,184
Equipment	48,343,737	6,974,643	-	(5,734,540)	49,583,840
<b>Total accumulated depreciation</b>	<b>62,007,769</b>	<b>\$ 8,371,757</b>	<b>\$ -</b>	<b>\$ (5,748,083)</b>	<b>64,631,443</b>
<b>Total capital assets, being depreciated, net</b>	<b>40,660,776</b>				<b>51,306,368</b>
<b>Capital assets, net</b>	<b>\$ 44,123,677</b>				<b>\$ 57,513,684</b>

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, 2015:

Land	<b>\$ 1,149,703</b>
Buildings	<b>3,099,387</b>
Furniture and equipment	<b>1,469,498</b>
Leasehold improvements	<b>90,340</b>
Building improvements	<b>112,352</b>
	<b>5,921,280</b>
Less accumulated depreciation	<b>2,525,582</b>
	<b>\$ 3,395,698</b>

**Carteret County, North Carolina**

**Notes to Financial Statements**

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**Note 5. Capital Assets (Continued)**

The following is a summary of the Airport's capital assets at June 30, 2015:

Construction in progress	\$ 97,128
Land	1,516,047
Aviation easement	577,000
Equipment	77,010
Vehicle	24,066
Hangers	913,438
Land/runway improvements	8,449,215
	<u>11,653,904</u>
Less accumulated depreciation	1,151,820
	<u><u>\$ 10,502,084</u></u>

The following is a summary of the TDA's capital assets at June 30, 2015:

Buildings	\$ 67,069
Other improvements	64,878
Equipment	123,836
Vehicles	19,723
	<u>275,506</u>
Less accumulated depreciation	145,211
	<u><u>\$ 130,295</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, 2015, were as follows:

	Vendors	Salaries and Benefits	Total
Governmental activities:			
General	\$ 1,825,200	\$ 1,253,911	\$ 3,079,111
Occupancy Tax	630,323	-	630,323
Other governmental	831,523	-	831,523
<b>Total governmental activities (1)</b>	<b>\$ 3,287,046</b>	<b>\$ 1,253,911</b>	<b>\$ 4,540,957</b>
Business-type activities:			
Water	\$ 10,743	\$ 22,457	\$ 33,200
<b>Total business - type activities</b>	<b>\$ 10,743</b>	<b>\$ 22,457</b>	<b>\$ 33,200</b>

(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 on the government-wide statements and the balance in deferred inflows of resources on the fund statements and government-wide statements at year-end are composed of the following elements:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Charges on refunding of debt	\$ 2,731,153	\$ -
Pensions- difference between expected and actual experience		
LGERS	-	165,533
Register of Deeds	2,289	-
Pensions - difference between projected and actual investment earnings	-	3,528,090
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	127,801	-
Contributions to pension plan in fiscal year 2015	1,159,085	-
Prepaid taxes not yet earned (General)	-	46,069
Taxes receivable, net (General)	-	2,599,774
Taxes receivable, net (Special Revenue)	-	594,557
Solid waste fees receivable (General)	-	450,463
<b>Total</b>	<b>\$ 4,020,328</b>	<b>\$ 7,384,486</b>

**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,

**Notes to Financial Statements**

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**Note 8. Risk Management (Continued)**

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 carries flood insurance for properties located in the AE zone. For health and dental insurance, the County is insured through a commercial carrier.

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

**Component Unit Information:**

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

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 \$15,000,000 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.

**Carteret County, North Carolina**

**Notes to Financial Statements**

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**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, 2015, 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%	<b>\$ 2,850,000</b>
\$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%	<b>1,350,000</b>
\$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%	<b>1,400,000</b>
\$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%	<b>2,925,000</b>
\$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%	<b>12,700,000</b>
\$12,250,000 - 2015 Refunding of 2007 School bond due on October 1 and April 1 in varying installments through April 1, 2027; interest rate at 2.13%	<b>12,250,000</b>
	<b><u>\$ 33,475,000</u></b>

Annual debt service requirements to maturity for general obligation bonds as of June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest
2016	\$ 4,255,000	\$ 1,169,860
2017	4,180,000	1,002,446
2018	3,455,000	846,690
2019	3,395,000	742,852
2020	2,735,000	633,704
2021 – 2025	12,625,000	1,766,992
2026 – 2027	2,830,000	92,223
	<b><u>\$ 33,475,000</u></b>	<b><u>\$ 6,254,767</u></b>

**Carteret County, North Carolina**

**Notes to Financial Statements**

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**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, 2015, 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	<b><u>\$ 3,090,000</u></b>
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Annual debt service requirements to maturity for certificates of participation as of June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest
2016	\$ 460,000	\$ 101,150
2017	455,000	91,950
2018	445,000	78,300
2019	440,000	64,950
2020	435,000	47,350
2021-2022	855,000	42,700
	<b><u>\$ 3,090,000</u></b>	<b><u>\$ 426,400</u></b>

## Carteret County, North Carolina

### Notes to Financial Statements

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#### Note 9. Long-Term Obligations (Continued)

##### 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, 2015, 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	<b>\$ 2,000,000</b>
\$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	<b>1,091,354</b>
\$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	<b>4,285,000</b>
\$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	<b>2,769,232</b>
\$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	<b>1,102,572</b>
\$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	<b>325,600</b>
\$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	<b>135,938</b>
	<b><u>11,709,696</u></b>

##### 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	<b>248,256</b>
\$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	<b>1,540,000</b>
	<b><u>1,788,256</u></b>
	<b><u>\$ 13,497,952</u></b>

**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, 2015, are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
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	1,275,514	132,314	171,032	28,746	1,446,546	161,060
2021 – 2025	4,135,588	200,390	793,096	72,447	4,928,684	272,837
2026 – 2028	-	-	140,000	3,087	140,000	3,087
	<u>\$ 11,709,696</u>	<u>\$ 1,407,300</u>	<u>\$ 1,788,256</u>	<u>\$ 267,979</u>	<u>\$ 13,497,952</u>	<u>\$ 1,675,279</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

**\$ 1,030,000**

Annual debt service requirements to maturity for revenue bonds June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest
2016	\$ 16,000	\$ 28,325
2017	17,000	27,885
2018	17,000	27,418
2019	18,000	26,950
2020	18,000	26,455
2021-2025	99,000	124,493
2026-2030	113,000	110,166
2031-2035	130,000	93,665
2036-2040	149,000	74,800
2041-2045	170,000	53,212
2046-2050	196,000	28,463
2051-2052	87,000	3,601
	<u>\$ 1,030,000</u>	<u>\$ 625,433</u>

The County is in compliance with the covenants contained in the USDA bond order as set forth in Article V through VII. The significant bond covenants require: a) that the net revenues (excluding depreciation) for each fiscal year shall not be less than 110% of the debt service requirement for such Fiscal Year and not less than 100% of the amount necessary to meet annual debt service obligations coming due in that Fiscal Year with respect to the County's general obligation bonds and installment financing obligations, if used to finance System Improvements and b) The County shall establish a Debt Service Reserve account to provide for at least one average annual loan installment.

## Carteret County, North Carolina

### Notes to Financial Statements

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#### Note 9. Long-Term Obligations (Continued)

The net revenues coverage calculation for the year ended June 30, 2015, is as follows:

Operating revenues	\$ 576,058
Operating expenses *	<u>(477,698)</u>
Operating income	98,360
Nonoperating revenues (expenses)**	3,364
Miscellaneous revenues and transfers	<u>324,000</u>
Net revenues available for debt service	<u><u>\$ 425,724</u></u>
110% of FY 14-15 revenue bond debt service requirement	\$ 49,242
100% of FY 14-15 DENR installment loan debt service requirement	<u>224,135</u>
Total FY 14-15 debt service subject to net revenue covenant compliance	<u><u>\$ 273,377</u></u>
Debt Service coverage ratio	156%

\* Per covenants, this does not include depreciation expense of \$452,252.

\*\* Per covenants, this does not include revenue bond and installment interest paid of \$81,868.

#### 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.

On March 12, 2015, the County issued \$12,250,000 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 \$11,300,000 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 \$831,962. 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 \$659,676 and resulted in an economic gain of \$799,671.

Debt Related to Capital Activities – Of the total Governmental Activities debt listed only \$800,000 relates to assets for which the County holds title. No restricted cash relates to this debt amount.

**Carteret County, North Carolina**

**Notes to Financial Statements**

**Note 9. Long-Term Obligations (Continued)**

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2015:

	Beginning Balance June 30, 2014	Additions	Retirements	Ending Balance June 30, 2015	Due Within One Year
Governmental activities:					
Bonds/certificates payable:					
General obligation bonds	\$ 36,545,000	\$ 12,250,000	\$ 15,320,000	\$ 33,475,000	\$ 4,255,000
Certificates of participation	3,560,000	-	470,000	3,090,000	460,000
Bond premiums	3,100,791	-	420,094	2,680,697	-
<b>Total bonds payable</b>	<b>43,205,791</b>	<b>12,250,000</b>	<b>16,210,094</b>	<b>39,245,697</b>	<b>4,715,000</b>
Installment purchase obligations	13,365,073	-	1,655,377	11,709,696	1,595,899
Compensated absences	1,284,191	1,098,588	1,051,189	1,331,590	874,446
Net pension liability (LGERS)	2,954,671	-	2,954,671	-	-
Special separation allowance pension obligations	381,594	79,971	8,695	452,870	-
Net OPEB obligation	2,649,142	592,575	342,651	2,899,066	-
<b>Governmental activity long-term liabilities</b>	<b>\$ 63,840,462</b>	<b>\$ 14,021,134</b>	<b>\$ 22,222,677</b>	<b>\$ 55,638,919</b>	<b>\$ 7,185,345</b>
Business-type activities:					
Revenue Bond	\$ 1,046,000	\$ -	\$ 16,000	\$ 1,030,000	\$ 16,000
Installment purchase obligations	1,959,288	-	171,032	1,788,256	171,032
Compensated absences	17,056	14,216	19,049	12,223	6,833
Net pension liability (LGERS)	35,887	-	35,887	-	-
<b>Business-type activity long-term liabilities</b>	<b>\$ 3,058,231</b>	<b>\$ 14,216</b>	<b>\$ 241,968</b>	<b>\$ 2,830,479</b>	<b>\$ 193,865</b>

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

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.

Compensated absences for governmental activities typically have been liquidated in the General Fund and are accounted for on a Last-In, First-Out ("LIFO") basis, assuming that employees are taking leave as it is earned.

At June 30, 2015, Carteret County had bonds authorized but unissued of \$9,710,000 and a legal debt margin of \$1,168,588,607.

Component unit information:

The Hospital has several capital lease obligations for certain medical equipment and software at September 30, 2014. The leases expire at various dates through 2017 and have a present value of minimum lease payments of \$1,661,402.

**Carteret County, North Carolina**

**Notes to Financial Statements**

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**Note 9. Long-Term Obligations (Continued)**

Minimum annual lease payments for years subsequent to September 30, 2014, are as follows:

Year Ending September 30,	Amount
2015	\$ 590,173
2016	619,995
2017	514,623
Total minimum lease payments	1,724,791
Less amount representing interest 2.67%-4.00%	(63,389)
Present value of net minimum lease obligations	1,661,402
Less current maturities	(551,883)
Obligations under capital leases, less current maturities	<u>\$ 1,109,519</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, 2014.

The TDA entered into a capital lease with the Town of Emerald Isle during the current fiscal year in which the Town will finance the construction of a new visitor center and the TDA will lease the center for a period of ten years, with a bargain purchase option at the end of the lease term. The following is the schedule of the required capital lease payments as of June 30, 2015.

June 30,	Amount
2016	\$ 33,600
2017	33,600
2018	33,600
2019	33,600
2020	33,600
2021-2025	136,450
Obligations under capital lease	<u>\$ 304,450</u>

## Carteret County, North Carolina

### Notes to Financial Statements

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#### Note 9. Long-Term Obligations (Continued)

Long-term obligations for the ABC Board as of June 30, 2015, 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.	\$ 147,787
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.	458,804
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.	128,137
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.	<u>338,617</u>
	<u>1,073,345</u>
Less current maturities	179,947
<b>Long-term debt</b>	<u><u>\$ 893,398</u></u>

Aggregate maturities of the ABC Board's long-term debt at June 30, 2015, are as follows:

Year Ending June 30,	Amount
2016	\$ 179,947
2017	184,314
2018	188,787
2019	191,744
2020	196,397
2021 and thereafter	<u>132,156</u>
	<u><u>\$ 1,073,345</u></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, 2015. 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, 2015, amounted to approximately \$40,741 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, 2015, in the amount of \$14,647.

**Note 10. Retirement Systems**

**A. North Carolina Local Governmental Employees' Retirement System**

**Plan description:** Carteret County is a participating employer in 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 membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

**Benefits Provided:** LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

**Contributions:** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and fire fighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$1,133,722 for the year ended June 30, 2015.

**Refunds of Contributions:** County employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after

**Carteret County, North Carolina**

**Notes to Financial Statements**

**Note 10. Retirement Systems (Continued)**

service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the County reported an asset of \$1,514,940 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the County's proportion was .257%, which was an increase of .010% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$125,984. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 165,533
Net difference between projected and actual earnings on pension plan investments	-	3,526,747
Changes in proportion and differences between County contributions and proportionate share of contributions	123,711	-
County contributions subsequent to the measurement date	1,150,353	-
Total	<u>\$ 1,274,064</u>	<u>\$ 3,692,280</u>

\$1,150,353 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Years ending June 30:**

2016	\$ (892,169)
2017	(892,169)
2018	(892,169)
2019	(892,062)
2020	-
Thereafter	-
	<u>\$ (3,568,569)</u>

**Actuarial Assumptions:** The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

Notes to Financial Statements

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**Note 10. Retirement Systems (Continued)**

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2013 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8%, and Inflation Protection 3.4%.

**Discount rate:** The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate:** The following presents the County's proportionate share of the net pension asset

Notes to Financial Statements

**Note 10. Retirement Systems (Continued)**

calculated using the discount rate of 7.25 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
County's proportionate share of the net pension liability (asset)	\$ 5,142,362	\$ (1,514,940)	\$ (7,120,173)

**Pension plan fiduciary net position:** Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

**B. 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 0.85 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, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Active plan members	<u>61</u>
<b>Total</b>	<u><u>61</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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- Contributions to the pension plan and earnings on those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- Pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

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

**Carteret County, North Carolina**

**Notes to Financial Statements**

**Note 10. Retirement Systems (Continued)**

3. Contributions

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

The annual required contribution for the current year was determined as part of the December 31, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) 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, 2014, was 16 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	\$ 93,126
Interest on net pension obligation	19,080
Adjustment to annual required contribution	<u>(32,235)</u>
<b>Annual pension cost</b>	<b>79,971</b>
Employer contributions made for fiscal year ended June 30, 2015	<u>8,695</u>
<b>Increase in net pension obligation</b>	<b>71,276</b>
Net pension obligation, beginning of fiscal year	<u>381,594</u>
Net pension obligation, end of fiscal year	<u><u>\$ 452,870</u></u>

3 Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
06/30/2013	\$ 65,583	22.72%	\$ 330,096
06/30/2014	61,328	16.03%	381,594
06/30/2015	<b>79,971</b>	<b>10.87%</b>	<b>452,870</b>

4. Funded Status and Funding Progress.

As of December 31, 2014, 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 \$622,659. The covered payroll (annual payroll of active employees covered by the plan) was \$2,334,902, and the ratio of the UAAL to the covered payroll was 26.67 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.

## Carteret County, North Carolina

### Notes to Financial Statements

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#### 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, 2015 were \$173,850, which consisted of \$115,274 from the County and \$58,576 from law enforcement officers. Contributions from the ABC Board for the year ended June 30, 2015 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, 2015, were \$983,241, which consisted of \$674,159 from the County and \$309,082 from the employees.

##### Registers of Deeds' Supplemental Pension Fund

**Plan description:** Carteret County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Governmental Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and the State Superintendent, who serve as ex-officio members. The Register of Deeds' Supplemental Pension Fund 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 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, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

**Benefits Provided:** An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least 10 years of service as a register of deeds with the individual's share

**Carteret County, North Carolina**

**Notes to Financial Statements**

**Note 10. Retirement Systems (Continued)**

increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

**Contributions:** Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contribution to the pension plan from the County were \$8,732 for the year ended June 30, 2015.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the County reported an asset of \$249,489 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2014, the County's proportion was 1.10%, which was a decrease of .02% from its proportion measured as of June 30, 2013.

At June 30, 2015, the County recognized pension expense of (\$4,480). At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,289	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,343
Changes in proportion and differences between County contributions and proportionate share of contributions	4,090	-
County contributions subsequent to the measurement date	8,732	-
<b>Total</b>	<b>\$ 15,111</b>	<b>\$ 1,343</b>

\$8,732 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Years ending June 30:**

2016	\$ 2,564
2017	2,564
2018	244
2019	(336)
2020	-
Thereafter	-

**Carteret County, North Carolina**

**Notes to Financial Statements**

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**Note 10. Retirement Systems (Continued)**

**Actuarial Assumptions:** The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 7.75 percent, including inflation and productivity factor
Investment rate of return	5.75 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2014 is 2.5%.

The information above is based on 30-year expectations developed with the consulting actuary for the 2013 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

**Discount rate:** The discount rate used to measure the total pension liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate:** The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 5.75 percent, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	<b>1% Decrease (4.75%)</b>	<b>Discount Rate (5.75%)</b>	<b>1% Increase (6.75%)</b>
County's proportionate share of the net pension liability (asset)	\$ (224,029)	\$ (249,489)	\$ (271,371)

**Note 10. Retirement Systems (Continued)**

**Pension plan fiduciary net position:** Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

**C. Carteret County ABC Board Retirement Systems**

North Carolina Local Governmental Employees' Retirement System

**Plan description:** The ABC Board is a participating employer in 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 membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

**Benefits Provided:** LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

**Contributions:** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The ABC Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The ABC Board's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost benefits earned by employees during the year. Contributions to the pension plan from the ABC Board were \$44,690 for the year ended June 30, 2015.

Notes to Financial Statements

**Note 10. Retirement Systems (Continued)**

**Refunds of Contribution:** Board employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the Board reported an asset of \$51,485 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension asset was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the Board's proportion was 0.029% which was a decrease of 0.001% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Board recognized pension expense of \$4,005. At June 30, 2015, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 5,626
Net difference between projected and actual earnings on pension plan investments	-	119,856
Changes in proportion and differences between Board contributions and proportionate share of contributions	3,102	-
ABC Board's contributions subsequent to the measurement date	44,690	-
Total	<u>\$ 47,792</u>	<u>\$ 125,482</u>

\$44,690 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Years ending June 30:</b>	
2016	\$ (30,596)
2017	(30,596)
2018	(30,596)
2019	(30,592)
2020	-
Thereafter	-
	<u>\$ (122,380)</u>

**Actuarial Assumptions:** The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

## Carteret County, North Carolina

### Notes to Financial Statements

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#### Note 10. Retirement Systems (Continued)

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2013 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8%, and Inflation Protection 3.4%.

**Discount rate:** The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily

Notes to Financial Statements

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**Note 10. Retirement Systems (Continued)**

required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Board's proportionate share of the net pension asset to changes in the discount rate:** The following presents the Board's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Board's proportionate share of the net pension liability (asset)	\$ 174,762	\$ (51,485)	\$ (241,977)

**Pension plan fiduciary net position:** Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

**Supplemental Retirement Income Plan for Employees**

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, 2015 and 2014 totaling \$23,091 and \$27,801, respectively.

**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 the year ended September 30, 2014, were approximately \$1,451,000. 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, 2014, were approximately \$539,000.

**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 4% of salary for qualifying employees. The TDA's contribution amount for the fiscal year ended June 30, 2015, was \$8,331.

Notes to Financial Statements

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**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 20 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:

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

**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 \$583 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 4.04% of annual covered payroll. For the current year, the County contributed \$342,651 or 2.36% 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 \$140,980. 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	\$ 587,839
Interest on net OPEB obligation	105,966
Adjustment to annual required contribution	<u>(101,230)</u>
<b>Annual OPEB cost</b>	<b>592,575</b>
Contributions made	<u>(342,651)</u>
<b>Increase in net OPEB obligation</b>	<b>249,924</b>
Net OPEB obligation, beginning of year	<u>2,649,142</u>
Net OPEB obligation, end of year	<u><u>\$ 2,899,066</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, 2015, were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 625,812	36.43%	\$ 2,280,719
2014	645,196	42.90%	2,649,142
<b>2015</b>	<b>592,575</b>	<b>57.82%</b>	<b>2,899,066</b>

**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

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**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, 2015, 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>
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

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#### 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.

	<b>Federal</b>	<b>State</b>
Medicaid	<b>\$ 49,239,271</b>	<b>\$ 27,045,479</b>
TANF	<b>287,132</b>	<b>-</b>
WIC	<b>885,219</b>	<b>-</b>
Health Choice	<b>1,006,936</b>	<b>316,895</b>
Special Assistance	<b>-</b>	<b>390,357</b>
CWS Adoption Subsidy	<b>-</b>	<b>186,295</b>
	<b>\$ 51,418,558</b>	<b>\$ 27,939,026</b>

#### 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, 2015. 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, 2015. 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, \$2,925,000 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 \$2,679,168 to the Community College during the fiscal year ended June 30, 2015. 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, 2015. 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.

## Carteret County, North Carolina

### Notes to Financial Statements

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#### 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, 2015. During the year ended June 30, 2015, the County contributed \$1,095,020 to the library in Carteret County.

#### 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, 2015 amounted to \$116,500. Future minimum lease payments for the office lease are as follows:

<b>Year ending June 30,</b>	<b>Annual Lease Payment</b>
2016	\$ 116,500
2017	116,500
2018	116,500
	<u>\$ 349,500</u>

##### Federal and State Assisted Programs

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

##### Component unit information:

The Hospital is insured under claims-made policies for the purpose of providing professional and patient care liability insurance. These policies cover only malpractice claims reported to the insurance carrier during the policy term. Coverage includes a \$3,000,000 policy on professional liability limited to \$1,000,000 per case and an excess coverage policy of \$15,000,000 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, 2014, 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.

**Carteret County, North Carolina**

**Notes to Financial Statements**

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**Note 16. Commitments and Contingencies (Continued)**

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, 2015:

<b>Project</b>	<b>Spent-To-Date</b>	<b>Remaining Commitment</b>
Hangar Taxilane - Construction	<u>\$ 97,124</u>	<u>\$ 64,885</u>

**Note 17. Interfund and Intra-Entity Receivables and Payables**

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General Fund	Occupancy Tax	
	Occupancy tax distribution	<u>\$ 551,378</u>

Due to/from primary government and component units:

<b>Receivable Entity</b>	<b>Payable Entity</b>	<b>Amount</b>
Primary government:	Component unit:	
General Fund	Carteret County ABC Board	
	Net income distribution due to County at June 30, 2015	<u>\$ 162,041</u>

**Carteret County, North Carolina**

**Notes to Financial Statements**

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

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

Interfund transfers for the year ended June 30, 2015, are as follows:

<b>Transfers Out</b>	<b>Transfers In</b>			<b>Total</b>
	<b>Major General</b>	<b>Non-Major Governmental Funds</b>	<b>Major Water Fund</b>	
Major General Fund	\$ -	\$ 5,475,000	\$ -	\$ 5,475,000
Major Occupancy Tax Fund	3,250,677	-	-	3,250,677
Other Governmental Funds	-	-	324,000	324,000
<b>Total transfers out</b>	<b>\$ 3,250,677</b>	<b>\$ 5,475,000</b>	<b>\$ 324,000</b>	<b>\$ 9,049,677</b>

Transfers consist primarily of the following:

<b>\$ 5,475,000</b>	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
<b>3,250,677</b>	Transfer from Occupancy Tax Fund in accordance with North Carolina General Statutes
<b>324,000</b>	Transfer from Water Taxing District Fund to the Water Fund to fund capital and debt service

Intra-entity transactions with discretely presented component units for the year ended June 30, 2015, are as follows:

Expenditures from General Fund to Beaufort-Morehead City Airport Authority for operations and capital improvements	<b>\$ 461,385</b>
Expenditures from Occupancy Tax Fund to Carteret County Tourism Development Authority for portion of Room Occupancy Tax	<b>3,176,407</b>
	<b>\$ 3,637,792</b>
Profit Contributions from ABC Board to General Fund	<b>\$ 611,115</b>

**Note 19. Change in Accounting Principles/ Restatement**

The County and the ABC Board implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ended June 30, 2015. The implementation of the statement required the County and the ABC Board to record beginning net pension liability and the effects on the net position of contributions made by the County and the ABC Board during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$1,654,463 and \$23,132 respectively for the County, and decreased by \$66,889 for the ABC Board.

## Carteret County, North Carolina

### Notes to Financial Statements

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#### **Note 20. Pronouncements Issued, Not Yet Effective**

The GASB has issued several pronouncements prior to June 30, 2015, 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 72, "Fair Value Measure and Application" provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements, which will be effective for the County beginning with its year ending June 30, 2016.
- GASB Statement Number 73 – "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68" established requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by Statements 67 and 68). The requirements in Statement 73 for reporting pensions generally are the same as in Statement 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. Statement 73 will be effective for the County beginning with its year ending June 30, 2016.
- GASB Statement Number 74 – "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" addresses reporting by OPEB plans that administer benefits on behalf of governments. Statement 74 will be effective for the County beginning with its year ending June 30, 2016.
- GASB Statement 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. Statement 75 will be effective for the County beginning with its year ending June 30, 2016.
- Statements 74 and 75 parallel the pension standards issued in 2012-GASB Statement No. 67, "Financial Reporting for Pension Plans", and GASB Statement No. 68, "Accounting and Financial Reporting for Pensions". Together, the pension and OPEB standards provide consistent and comprehensive guidance for all postemployment benefits.
- GASB Statement No. 77, "Tax Abatement Disclosures" – This Statement requires governments to disclose certain information related to tax abatement agreements.

#### **Note 21. Subsequent Events**

The County has evaluated its subsequent events (events occurring after June 30, 2015) through December 15, 2015, which represents the date the financial statements were available to be issued.

The County issued \$4.6 million General Obligation School Bonds, Series 2015B on October 12, 2015, with a closing date of November 3, 2015. The bonds have a 20-year maturity schedule with interest payments beginning May 1, 2016, and principal and interest payments beginning November 1, 2016. The true interest cost for the bonds is 2.6074%.

Supplemental  
Financial Data

# Required Supplemental Financial Data

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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**

**Schedule of County's Proportionate Share of Net Pension Asset (LGERS)**

**Schedule of County Contributions (LGERS)**

**Schedule of County's Proportionate Share of Net Pension Asset (ROD)**

**Schedule of County Contributions (ROD)**

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**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)
12/31/2009	\$ -	\$ 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%
12/31/2014	-	622,659	622,659	0.00%	2,334,902	26.67%

**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
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%
2015	93,126	9.34%

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, 2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	16 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
2013	\$ 622,446	36.63%
2014	641,119	43.17%
2015	587,839	58.29%

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	December 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.

**Carteret County, North Carolina**

**Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)**

**Required Supplementary Information  
Local Governmental Employees' Retirement System**

Last Two Fiscal Years\*

	<b>2015</b>	<b>2014</b>
County's proportion of the net pension liability (asset) %	0.26%	0.25%
County's proportionate share of the net pension liability (asset) \$	\$ (1,514,940)	\$ 2,990,558
County's covered employee payroll	14,891,061	14,737,702
County's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	-10.17%	20.29%
Plan fiduciary net position as a percentage of the total pension liability	102.64%	94.35%

\*The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

**Carteret County, North Carolina**

**Schedule of County Contributions  
Required Supplementary Information  
Local Governmental Employee's Retirement System**

Last Two Fiscal Years

	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 1,150,353	\$ 1,062,954
Contributions in relation to the contractually required contribution	1,150,353	1,062,954
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 15,801,403	\$ 14,891,061
Contributions as a percentage of covered employee payroll	7.28%	7.14%

**Carteret County, North Carolina**

**Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)**

**Required Supplementary Information**

**Registers of Deeds' Supplemental Pension Fund**

Last Two Fiscal Years\*

	<b>2015</b>		<b>2014</b>
County's proportion of the net pension liability (asset) %	0.26%		0.25%
County's proportionate share of the net pension liability (asset) \$	\$ (249,489)	\$	(241,063)
County's covered employee payroll	46,233		46,233
County's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	-539.63%		-521.41%
Plan fiduciary net position as a percentage of the total pension liability	193.88%		190.50%

\*The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

**Carteret County, North Carolina**

**Schedule of County Contributions  
 Required Supplementary Information  
 Registers of Deeds' Supplemental Pension Fund  
 Last Two Fiscal Years**

	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 8,732	\$ 8,987
Contributions in relation to the contractually required contribution	8,732	8,987
Contribution deficiency (excess)	\$ -	\$ -
County's covered-employee payroll	\$ 46,233	\$ 46,233
Contributions as a percentage of covered employee payroll	18.89%	19.44%

# Major Funds

# General Fund



Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Year Ended June 30, 2015

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes:			
Current period	\$ 44,679,000	\$ 45,099,962	\$ 420,962
Prior years	950,000	1,009,440	59,440
Interest and penalties	280,000	358,387	78,387
	<u>45,909,000</u>	<u>46,467,789</u>	<u>558,789</u>
Other taxes:			
ABC local bottle tax	30,000	36,233	6,233
Local option sales tax	12,240,000	13,103,552	863,552
Privilege licenses	14,000	10,335	(3,665)
	<u>12,284,000</u>	<u>13,150,120</u>	<u>866,120</u>
Permits and fees:			
Sheriff fees	130,000	159,473	29,473
Register of deeds	1,121,500	1,070,633	(50,867)
Franchise fees	480,000	463,506	(16,494)
Building and Inspection Fees	540,000	494,653	(45,347)
Environmental health fees	250,000	297,669	47,669
Other fees	150,057	106,734	(43,323)
	<u>2,671,557</u>	<u>2,592,668</u>	<u>(78,889)</u>
Intergovernmental:			
Restricted:			
Federal and State grants	12,455,163	12,479,270	24,107
Lottery proceeds	700,000	700,000	-
Court facilities fees	120,000	107,556	(12,444)
Unrestricted:			
Beer and wine tax	165,000	187,317	22,317
Payments in lieu of taxes	-	167,833	167,833
ABC profits	450,000	611,115	161,115
Croatan National Forest	50,000	44,884	(5,116)
	<u>13,940,163</u>	<u>14,297,975</u>	<u>357,812</u>
Sales and services:			
Solid waste	2,475,000	2,431,367	(43,633)
Civic center fees	202,485	242,899	40,414
Other	380,625	375,685	(4,940)
	<u>3,058,110</u>	<u>3,049,951</u>	<u>(8,159)</u>
Interest	<u>250,000</u>	<u>173,110</u>	<u>(76,890)</u>
Miscellaneous:			
Other	474,946	647,154	172,208
	<u>474,946</u>	<u>647,154</u>	<u>172,208</u>
<b>Total revenues</b>	<u><b>78,587,776</b></u>	<u><b>80,378,767</b></u>	<u><b>1,790,991</b></u>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)  
 Year Ended June 30, 2015

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
<b>Expenditures</b>			
General government:			
Governing body:			
Salaries and employee benefits		45,493	
Operating expenses		139,934	
Professional services		68,400	
	281,390	253,827	27,563
Administration:			
Salaries and employee benefits		268,354	
Operating expenses		32,230	
	339,519	300,584	38,935
Information systems:			
Salaries and employee benefits		535,408	
Operating expenses		811,023	
Capital outlay		196,948	
	1,593,377	1,543,379	49,998
Finance:			
Salaries and employee benefits		562,193	
Operating expenses		49,203	
Capital outlay		5,160	
	620,295	616,556	3,739
Human resources:			
Salaries and employee benefits		299,719	
Operating expenses		60,237	
	385,291	359,956	25,335
Tax:			
Salaries and employee benefits		885,934	
Operating expenses		66,818	
Contract services		299,627	
	1,265,013	1,252,379	12,634
Revaluation:			
Salaries and employee benefits		208,865	
Operating expenses		47,697	
	271,537	256,562	14,975
Legal:			
Professional services	70,000	50,327	19,673
Court facilities:			
Operating expenses	70,965	53,289	17,676
Elections:			
Salaries and employee benefits		233,217	
Operating expenses		162,131	
	425,927	395,348	30,579

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)  
 Year Ended June 30, 2015

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Register of deeds:			
Salaries and employee benefits		307,906	
Operating expenses		123,256	
Capital outlay		8,700	
	<u>573,413</u>	<u>439,862</u>	<u>133,551</u>
Public buildings:			
Salaries and employee benefits		326,619	
Operating expenses		840,400	
Capital outlay		-	
	<u>1,269,963</u>	<u>1,167,019</u>	<u>102,944</u>
<b>Total general government</b>	<u><b>7,166,690</b></u>	<u><b>6,689,088</b></u>	<u><b>477,602</b></u>
Public safety:			
Sheriff:			
Salaries and employee benefits		3,516,144	
Operating expenses		743,842	
Contract services		105,345	
Capital outlay		274,804	
	<u>4,693,061</u>	<u>4,640,135</u>	<u>52,926</u>
Sheriff - Jail division:			
Salaries and employee benefits		1,457,413	
Operating expenses		1,049,364	
Contract services		237,745	
Capital outlay		-	
	<u>2,749,202</u>	<u>2,744,522</u>	<u>4,680</u>
Paramedic operations:			
Salaries and employee benefits		762,347	
Operating expenses		137,058	
	<u>932,367</u>	<u>899,405</u>	<u>32,962</u>
Emergency management:			
Salaries and employee benefits		209,759	
Operating expenses		55,258	
Contracted services		65,503	
Capital outlay		-	
	<u>387,032</u>	<u>330,520</u>	<u>56,512</u>
Rape crisis program:			
Salaries and employee benefits		201,394	
Operating expenses		31,959	
	<u>266,790</u>	<u>233,353</u>	<u>33,437</u>

(Continued)

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)**  
**Year Ended June 30, 2015**

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Fire Marshall:			
Salaries and employee benefits		91,253	
Operating expenses		21,591	
Capital outlay		33,267	
	<b>164,745</b>	<b>146,111</b>	<b>18,634</b>
Consolidated Communications:			
Salaries and employee benefits		1,333,960	
Operating expenses		202,244	
	<b>1,619,751</b>	<b>1,536,204</b>	<b>83,547</b>
Medical examiner:			
Professional services		49,850	2,150
	<b>52,000</b>	<b>49,850</b>	<b>2,150</b>
Animal control:			
Salaries and employee benefits		184,745	
Operating expenses		406,412	
	<b>668,037</b>	<b>591,157</b>	<b>76,880</b>
<b>Total public safety</b>	<b>11,532,985</b>	<b>11,171,257</b>	<b>361,728</b>
Transportation:			
Harbors:			
Operating expenses		17,078	10,312
	<b>27,390</b>	<b>17,078</b>	<b>10,312</b>
Beaufort-Morehead City Airport Authority	<b>461,385</b>	<b>461,385</b>	<b>-</b>
CCATS:			
Salaries and employee benefits		560,494	
Operating expenses		256,987	
	<b>1,045,520</b>	<b>817,481</b>	<b>228,039</b>
<b>Total transportation</b>	<b>1,534,295</b>	<b>1,295,944</b>	<b>238,351</b>
Environmental protection:			
Forest fire control		109,831	25,094
	<b>134,925</b>	<b>109,831</b>	<b>25,094</b>
Tri-County solid waste collections		2,581,193	48,932
	<b>2,630,125</b>	<b>2,581,193</b>	<b>48,932</b>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)  
Year Ended June 30, 2015

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Public works:			
Salaries and employee benefits		404,884	
Operating expenses		292,131	
Capital outlay		7,400	
	<u>760,699</u>	<u>704,415</u>	<u>56,284</u>
<b>Total environmental protection</b>	<b><u>3,525,749</u></b>	<b><u>3,395,439</u></b>	<b><u>130,310</u></b>
Economic and physical development:			
Special appropriations:			
Economic Development Council		175,000	
Business development		601,923	
	<u>776,923</u>	<u>776,923</u>	<u>-</u>
Beach nourishment:			
Salaries and employee benefits		131,676	
Operating expenses		27,621	
Contract services		294,505	
	<u>1,160,350</u>	<u>453,802</u>	<u>706,548</u>
Planning and zoning:			
Salaries and employee benefits		613,619	
Operating expenses		240,711	
Contract services		16,647	
	<u>1,053,755</u>	<u>870,977</u>	<u>182,778</u>
General services:			
Salaries and employee benefits		21,372	
Operating expenses		812	
	<u>140,573</u>	<u>22,184</u>	<u>118,389</u>
Cooperative extension:			
Salaries and employee benefits		58,562	
Operating expenses		169,652	
Capital outlay		22,032	
	<u>333,630</u>	<u>250,246</u>	<u>83,384</u>
<b>Total economic and physical development</b>	<b><u>3,465,231</u></b>	<b><u>2,374,132</u></b>	<b><u>1,091,099</u></b>
Human Services:			
Health center:			
Salaries and employee benefits		903,207	
Operating expenses		283,326	
Capital outlay		18,469	
	<u>1,350,170</u>	<u>1,205,002</u>	<u>145,168</u>
Breast & Cervical Cancer			
Operating expenses		14,329	
	<u>24,335</u>	<u>14,329</u>	<u>10,006</u>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)  
Year Ended June 30, 2015

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Dental Program			
Salaries and employee benefits		180,380	
Operating expenses		28,087	
Capital outlay		10,040	
	<u>239,250</u>	<u>218,507</u>	<u>20,743</u>
Communicable Diseases			
Salaries and employee benefits		131,317	
Operating expenses		1,919	
	<u>133,476</u>	<u>133,236</u>	<u>240</u>
Operating Preparedness and Response			
Salaries and employee benefits		67,972	
Operating expenses		1,346	
	<u>70,461</u>	<u>69,318</u>	<u>1,143</u>
Family Planning			
Salaries and employee benefits		155,298	
Operating expenses		49,751	
	<u>216,276</u>	<u>205,049</u>	<u>11,227</u>
Maternal adult and child health:			
Salaries and employee benefits		281,305	
Operating expenses		2,418	
	<u>315,761</u>	<u>283,723</u>	<u>32,038</u>
Child care coordination:			
Salaries and employee benefits		180,835	
Operating expenses		87	
	<u>223,020</u>	<u>180,922</u>	<u>42,098</u>
Women, infants, and children:			
Administration:			
Salaries and employee benefits		202,469	
Operating expenses		5,468	
	<u>210,786</u>	<u>207,937</u>	<u>2,849</u>
Nutrition:			
Salaries and employee benefits		52,768	
Operating expenses		449	
	<u>53,337</u>	<u>53,217</u>	<u>120</u>
Environmental health:			
Salaries and employee benefits		1,007,696	
Operating expenses		75,984	
Capital outlay		37,110	
	<u>1,131,918</u>	<u>1,120,790</u>	<u>11,128</u>
Mental health:			
Mental health center and other		198,000	
Mental health, ABC		30,000	
	<u>228,000</u>	<u>228,000</u>	<u>-</u>
DSS administration:			
Salaries and employee benefits		5,864,499	
Operating expenses		992,454	
Capital outlay		18,469	
	<u>7,103,441</u>	<u>6,875,422</u>	<u>228,019</u>

(Continued)

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)**  
**Year Ended June 30, 2015**

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
General assistance:			
Boarding home		219,736	
Clothing and medical expense		12,037	
Special children adoption		5,453	
Childrens Adoption Incentive		12,959	
Ward expense		51,897	
Smart Start day care		41,000	
Miscellaneous		47,712	
	<b>458,100</b>	<b>390,794</b>	<b>67,306</b>
TANF Block grant:			
TANF Block grant		50,500	
Operating expenses		34,337	
	<b>124,000</b>	<b>84,837</b>	<b>39,163</b>
DSS special assistance	<b>3,178,340</b>	<b>2,681,971</b>	<b>496,369</b>
Special projects	<b>820,179</b>	<b>698,923</b>	<b>121,256</b>
Other human services	<b>372,755</b>	<b>299,463</b>	<b>73,292</b>
Veteran services:			
Salaries and employee benefits		244,598	
Operating expenses		57,343	
	<b>339,381</b>	<b>301,941</b>	<b>37,440</b>
Senior center aging programs:			
Salaries and employee benefits		224,556	
Operating expenses		33,513	
Contract services		128,421	
	<b>421,783</b>	<b>386,490</b>	<b>35,293</b>
<b>Total human services</b>	<b>17,014,769</b>	<b>15,639,871</b>	<b>1,374,898</b>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits		499,885	
Operating expenses		231,782	
Contract services		22,471	
	<b>786,008</b>	<b>754,138</b>	<b>31,870</b>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)  
Year Ended June 30, 2015

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Parks and recreation maintenance:			
Salaries and employee benefits		352,415	
Operating expenses		259,941	
	<u>674,110</u>	<u>612,356</u>	<u>61,754</u>
Senior center:			
Salaries and employee benefits		130,153	
Operating expenses		57,372	
Contract services		14,597	
	<u>215,489</u>	<u>202,122</u>	<u>13,367</u>
Carteret County Library:			
Appropriations to Library Systems	1,236,745	1,236,743	2
Civic center:			
Salaries and employee benefits		209,154	
Operating expenses		175,631	
	<u>496,036</u>	<u>384,785</u>	<u>111,251</u>
<b>Total culture and recreation</b>	<u><b>3,408,388</b></u>	<u><b>3,190,144</b></u>	<u><b>218,244</b></u>
Education:			
Public schools, current expense	21,465,000	21,494,813	(29,813)
Community college, current expense	2,440,000	2,440,000	-
Community college, capital outlay	351,840	239,168	112,672
<b>Total education</b>	<u><b>24,256,840</b></u>	<u><b>24,173,981</b></u>	<u><b>82,859</b></u>
Debt service:			
Principal retirement	6,257,900	6,145,377	112,523
Interest and fees	2,104,500	2,067,935	36,565
Bond issuance costs	118,038	107,922	10,116
<b>Total debt service</b>	<u><b>8,480,438</b></u>	<u><b>8,321,234</b></u>	<u><b>159,204</b></u>
<b>Total expenditures</b>	<u><b>80,385,385</b></u>	<u><b>76,251,090</b></u>	<u><b>4,134,295</b></u>
<b>Revenues over (under) expenditures</b>	<u><b>(1,797,609)</b></u>	<u><b>4,127,677</b></u>	<u><b>5,925,286</b></u>
<b>Other financing sources (uses)</b>			
Transfers in (out):			
Debt issuance	12,250,000	12,250,000	-
Payment to refunded bond escrow agent	(12,131,962)	(12,131,962)	-
Sale of capital assets	25,000	58,782	33,782
From Occupancy Tax Fund	3,326,875	3,250,677	(76,198)
To School Project Fund	(4,500,000)	(4,500,000)	-
To Capital Improvement Fund	(975,000)	(975,000)	-
Contingency reserves	(2,532,075)	-	2,532,075
Appropriated fund balance	6,334,771	-	(6,334,771)
<b>Total other financing sources (uses)</b>	<u><b>1,797,609</b></u>	<u><b>(2,047,503)</b></u>	<u><b>(3,845,112)</b></u>
<b>Net change in fund balance</b>	<u><b>\$ -</b></u>	<u><b>2,080,174</b></u>	<u><b>\$ 2,080,174</b></u>
<b>Fund balance</b>			
Beginning		51,692,173	
Ending		<u><u><b>\$ 53,772,347</b></u></u>	



Summary of  
Nonmajor Funds

Carteret County, North Carolina

Combining Balance Sheet - Non-major Governmental Fund Types  
June 30, 2015

	Government Fund Types		
	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Assets</b>			
Assets:			
Cash and investments	\$ 1,184,198	\$ 6,471,307	\$ 7,655,505
Restricted cash and investments	2,434,316	-	2,434,316
Receivables, net	1,147,524	-	1,147,524
<b>Total assets</b>	<b>\$ 4,766,038</b>	<b>\$ 6,471,307</b>	<b>\$ 11,237,345</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 254,388	\$ 577,135	\$ 831,523
<b>Total liabilities</b>	<b>254,388</b>	<b>577,135</b>	<b>831,523</b>
Deferred inflows of resources	<b>594,557</b>	-	<b>594,557</b>
Fund balances:			
Restricted:			
Public safety	881,162	-	881,162
Economic development	224,168	-	224,168
Rescue protection	820,427	-	820,427
Fire protection	1,656,221	-	1,656,221
Committed:			
Economic development	-	734,594	734,594
Taylor Extended Care	-	403,529	403,529
School capital	-	2,130,637	2,130,637
Assigned:			
Subsequent year's expenditures	335,115	1,804,535	2,139,650
County capital	-	820,877	820,877
<b>Total fund balances</b>	<b>3,917,093</b>	<b>5,894,172</b>	<b>9,811,265</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 4,766,038</b>	<b>\$ 6,471,307</b>	<b>\$ 11,237,345</b>

Carteret County, North Carolina

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -  
 Non-major Governmental Fund Types  
 Year Ended June 30, 2015

	Government Fund Types		
	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Revenues</b>			
Ad valorem taxes	\$ 5,705,886	\$ -	\$ 5,705,886
Other taxes	1,696,905	-	1,696,905
Intergovernmental	484,297	71,708	556,005
Interest	10,686	13,927	24,613
<b>Total revenues</b>	<b>7,897,774</b>	<b>85,635</b>	<b>7,983,409</b>
<b>Expenditures</b>			
Current:			
Public safety	7,557,422	-	7,557,422
Economic and physical development	31,534	-	31,534
Capital outlay	-	3,538,776	3,538,776
<b>Total expenditures</b>	<b>7,588,956</b>	<b>3,538,776</b>	<b>11,127,732</b>
<b>Revenues over (under) expenditures</b>	<b>308,818</b>	<b>(3,453,141)</b>	<b>(3,144,323)</b>
<b>Other financing sources (uses)</b>			
Transfers in	-	5,475,000	5,475,000
Transfers out	(324,000)	-	(324,000)
<b>Total other financing sources (uses)</b>	<b>(324,000)</b>	<b>5,475,000</b>	<b>5,151,000</b>
<b>Net change in fund balance</b>	<b>(15,182)</b>	<b>2,021,859</b>	<b>2,006,677</b>
<b>Fund balances</b>			
Beginning	3,932,275	3,872,313	7,804,588
Ending	<b>\$ 3,917,093</b>	<b>\$ 5,894,172</b>	<b>\$ 9,811,265</b>

Nonmajor Special  
Revenue Funds

## **Non-major Special Revenue Funds**

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

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Carteret County, North Carolina

Non-major Special Revenue Funds

Combining Balance Sheet  
June 30, 2015

	Rescue Squad Fund	Fire District Fund	Emergency Telephone System Fund
<b>Assets</b>			
Cash and investments	\$ -	\$ -	\$ 986,434
Restricted cash and investments	883,288	1,551,028	-
Receivables:			
Property taxes receivable, net	196,970	370,735	-
Accounts receivable	168,659	320,068	37,836
<b>Total assets</b>	<b>\$ 1,248,917</b>	<b>\$ 2,241,831</b>	<b>\$ 1,024,270</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 105,930	\$ 105,350	\$ 43,108
<b>Total liabilities</b>	<b>105,930</b>	<b>105,350</b>	<b>43,108</b>
Deferred inflows of resources	196,970	370,735	-
Fund balances:			
Restricted:			
Public safety	-	-	881,162
Economic development	-	-	-
Rescue protection	820,427	-	-
Fire protection	-	1,656,221	-
Assigned:			
Subsequent year's expenditures	125,590	109,525	100,000
<b>Total fund balances</b>	<b>946,017</b>	<b>1,765,746</b>	<b>981,162</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,248,917</b>	<b>\$ 2,241,831</b>	<b>\$ 1,024,270</b>

<b>Salter Path District Fund</b>	<b>Water Tax District Fund</b>	<b>Totals</b>
\$ 45,169	\$ 152,595	\$ 1,184,198
-	-	2,434,316
138	26,714	594,557
527	25,877	552,967
<b>\$ 45,834</b>	<b>\$ 205,186</b>	<b>\$ 4,766,038</b>

\$ -	\$ -	\$ 254,388
-	-	254,388

138	26,714	594,557
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-	-	881,162
45,696	178,472	224,168
-	-	820,427
-	-	1,656,221
-	-	335,115
<b>45,696</b>	<b>178,472</b>	<b>3,917,093</b>
<b>\$ 45,834</b>	<b>\$ 205,186</b>	<b>\$ 4,766,038</b>

Carteret County, North Carolina

Non-major Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2015

	Rescue Squad Fund	Fire District Fund	Emergency Telephone System Fund
<b>Revenues</b>			
Ad valorem taxes	\$ 2,008,798	\$ 3,406,142	\$ -
Other taxes	556,142	1,054,678	-
Intergovernmental	-	-	454,030
Interest	2,615	4,688	2,536
<b>Total revenues</b>	<b>2,567,555</b>	<b>4,465,508</b>	<b>456,566</b>
<b>Expenditures</b>			
Public safety	2,645,590	4,550,320	361,512
Economic and physical development	-	-	-
<b>Total expenditures</b>	<b>2,645,590</b>	<b>4,550,320</b>	<b>361,512</b>
<b>Revenues over (under) expenditures</b>	<b>(78,035)</b>	<b>(84,812)</b>	<b>95,054</b>
<b>Other financing (uses)</b>			
Transfers out	-	-	-
<b>Total other financing uses</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>(78,035)</b>	<b>(84,812)</b>	<b>95,054</b>
<b>Fund balances</b>			
Beginning	1,024,052	1,850,558	886,108
Ending	<b>\$ 946,017</b>	<b>\$ 1,765,746</b>	<b>\$ 981,162</b>

Salter Path District Fund	Water Tax District Fund	CDBG 2003 Scatter Site	Totals
\$ 6,082	\$ 284,864	\$ -	\$ 5,705,886
1,818	84,267	-	1,696,905
-	-	30,267	484,297
111	736	-	10,686
<b>8,011</b>	<b>369,867</b>	<b>30,267</b>	<b>7,897,774</b>
-	-	-	7,557,422
2	1,265	30,267	31,534
2	1,265	30,267	7,588,956
<b>8,009</b>	<b>368,602</b>	<b>-</b>	<b>308,818</b>
-	(324,000)	-	(324,000)
-	(324,000)	-	(324,000)
8,009	44,602	-	(15,182)
37,687	133,870	-	3,932,275
<b>\$ 45,696</b>	<b>\$ 178,472</b>	<b>\$ -</b>	<b>\$ 3,917,093</b>

Carteret County, North Carolina

Rescue Squad Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes	\$ 1,925,245	\$ 2,008,798	\$ 83,553
Other taxes:			
Local option sales tax	501,000	556,142	55,142
Interest	-	2,615	2,615
<b>Total revenues</b>	<b>2,426,245</b>	<b>2,567,555</b>	<b>141,310</b>
<b>Expenditures</b>			
Public safety:			
Beaufort	705,775	707,855	(2,080)
Broad and Gales Creek	220,935	221,851	(916)
Mill Creek	73,035	73,365	(330)
Mitchell Village	140,000	140,483	(483)
Otway	152,850	153,389	(539)
Sea Level	256,453	257,156	(703)
Western Carteret	403,470	404,906	(1,436)
District reserves	358,402	218,155	140,247
Local sales tax	461,000	468,430	(7,430)
<b>Total expenditures</b>	<b>2,771,920</b>	<b>2,645,590</b>	<b>126,330</b>
<b>Revenues under expenditures</b>	<b>(345,675)</b>	<b>(78,035)</b>	<b>267,640</b>
<b>Other financing sources</b>			
Appropriated fund balance	345,675	-	345,675
<b>Revenues and other financing sources under expenditures</b>	<b>\$ -</b>	<b>(78,035)</b>	<b>\$ (78,035)</b>
<b>Fund balances</b>			
Beginning		1,024,052	
Ending		<u>\$ 946,017</u>	

Carteret County, North Carolina

Fire District Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes	\$ 3,273,685	\$ 3,406,142	\$ 132,457
Other taxes:			
Local option sales tax	896,500	1,054,678	158,178
Interest	-	4,688	4,688
<b>Total revenues</b>	<b>4,170,185</b>	<b>4,465,508</b>	<b>295,323</b>
<b>Expenditures</b>			
Public safety:			
Fire Districts:			
Atlantic	74,305	74,507	(202)
Beaufort	320,485	321,638	(1,153)
Broad and Gales Creek	220,935	221,851	(916)
Cedar Island	46,100	46,212	(112)
Davis	62,775	63,020	(245)
Harkers Island	240,870	241,380	(510)
Harlowe	77,100	77,389	(289)
Marshallberg	197,235	197,876	(641)
Mill Creek	27,675	27,826	(151)
Mitchell Village, Crab Point	335,175	336,428	(1,253)
Newport	308,210	310,291	(2,081)
North River	56,205	56,378	(173)
Otway	183,260	183,936	(676)
Salter Path	55,650	55,741	(91)
Sea Level	46,315	46,415	(100)
South River	110,940	111,157	(217)
Stacy	21,805	21,866	(61)
Stella	87,980	88,383	(403)
Wildwood	450,580	452,083	(1,503)
Western Carteret	581,085	547,473	33,612
District reserves	397,034	395,188	1,846
Local sales tax	665,500	673,282	(7,782)
<b>Total expenditures</b>	<b>4,567,219</b>	<b>4,550,320</b>	<b>16,899</b>
<b>Revenues (under) expenditures</b>	<b>(397,034)</b>	<b>(84,812)</b>	<b>312,222</b>
<b>Other financing sources</b>			
Appropriated fund balance	397,034	-	(397,034)
<b>Revenues and other financing sources under expenditures</b>	<b>\$ -</b>	<b>(84,812)</b>	<b>\$ (84,812)</b>
<b>Fund balances</b>			
Beginning		1,850,558	
Ending		<u>\$ 1,765,746</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, 2015

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$ 454,000	\$ 454,030	\$ 30
Interest	-	2,536	2,536
<b>Total revenues</b>	<b>454,000</b>	<b>456,566</b>	<b>2,566</b>
<b>Expenditures</b>			
Public safety:			
Operating expenses	256,700	230,989	25,711
Contracted services	127,797	99,108	28,689
Capital outlay	260,300	31,415	228,885
<b>Total expenditures</b>	<b>644,797</b>	<b>361,512</b>	<b>283,285</b>
<b>Revenues over (under) expenditures</b>	<b>(190,797)</b>	<b>95,054</b>	<b>285,851</b>
<b>Other financing sources (uses)</b>			
Contingency	(7,233)	-	7,233
Appropriated fund balance	198,030	-	(198,030)
<b>Total other financing sources (uses)</b>	<b>190,797</b>	<b>-</b>	<b>(190,797)</b>
<b>Revenues and other financing sources over expenditures</b>	<b>\$ -</b>	<b>95,054</b>	<b>\$ 95,054</b>
<b>Fund balances</b>			
Beginning		886,108	
Ending		<u>\$ 981,162</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, 2015

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes	\$ 6,300	\$ 6,082	\$ (218)
Other taxes:			
Local option sales tax	1,700	1,818	118
Interest	-	111	111
<b>Total revenues</b>	<b>8,000</b>	<b>8,011</b>	<b>11</b>
<b>Expenditures</b>			
Economic and physical development:			
Beach nourishment	8,000	2	7,998
<b>Total expenditures</b>	<b>8,000</b>	<b>2</b>	<b>7,998</b>
<b>Revenues over expenditures</b>	<b>\$ -</b>	<b>8,009</b>	<b>\$ 8,009</b>
<b>Fund balances</b>			
Beginning		37,687	
Ending		<b>\$ 45,696</b>	

Carteret County, North Carolina

Water Tax District Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes	\$ 262,000	\$ 284,864	\$ 22,864
Other taxes:			
Local option sales tax	74,000	84,267	10,267
Interest	-	736	736
<b>Total revenues</b>	<b>336,000</b>	<b>369,867</b>	<b>33,867</b>
<b>Expenditures</b>			
Economic and Physical Development:			
Operating expenses	1,000	1,265	(265)
<b>Total expenditures</b>	<b>1,000</b>	<b>1,265</b>	<b>(265)</b>
<b>Revenues over expenditures</b>	<b>335,000</b>	<b>368,602</b>	<b>33,602</b>
<b>Other financing uses</b>			
Transfers out	(324,000)	(324,000)	-
Contingency	(11,000)	-	11,000
<b>Total other financing uses</b>	<b>(335,000)</b>	<b>(324,000)</b>	<b>11,000</b>
<b>Revenues over other financing uses</b>	<b>\$ -</b>	<b>44,602</b>	<b>\$ 44,602</b>
<b>Fund balances</b>			
Beginning		133,870	
Ending		<u>\$ 178,472</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, 2015

	Total Project Estimate	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues</b>				
Intergovernmental:				
Community Development Block Grant	\$ 225,000	\$ 7,731	\$ 30,267	\$ 37,998
<b>Total revenues</b>	<b>225,000</b>	<b>7,731</b>	<b>30,267</b>	<b>37,998</b>
<b>Expenditures</b>				
Economic and Physical Development:				
C-1 Rehabilitation	182,700	250	18,013	18,263
C-1 Administration	20,300	7,481	6,754	14,235
L-1 Rehabilitation	20,000	-	5,500	5,500
L-1 Administration	2,000	-	-	-
<b>Total expenditures</b>	<b>225,000</b>	<b>7,731</b>	<b>30,267</b>	<b>37,998</b>
<b>Revenues over expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
<b>Fund balances</b>				
Beginning			-	
Ending			\$ -	



Nonmajor Capital  
Projects Funds

## **Non-major Capital Projects Funds**

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

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Carteret County, North Carolina

Non-major Capital Projects Fund

Combining Balance Sheet  
June 30, 2015

	County Capital Reserve Fund	County Capital Improvements Fund	School Special Projects Fund
<b>Assets</b>			
Cash and investments	\$ 734,594	\$ 3,028,941	\$ 2,651,846
<b>Total assets</b>	<b>\$ 734,594</b>	<b>\$ 3,028,941</b>	<b>\$ 2,651,846</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 577,135
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>577,135</b>
Fund balances :			
Committed:			
Economic development	734,594	-	-
Taylor Extended Care	-	403,529	-
School capital	-	-	2,074,711
Assigned:			
Subsequent year's expenditures	-	1,804,535	-
County capital	-	820,877	-
<b>Total fund balances</b>	<b>734,594</b>	<b>3,028,941</b>	<b>2,074,711</b>
<b>Total liabilities and fund balances</b>	<b>\$ 734,594</b>	<b>\$ 3,028,941</b>	<b>\$ 2,651,846</b>

**Morehead  
Elementary  
School**

Fund	Totals
\$ 55,926	\$ 6,471,307
<u>\$ 55,926</u>	<u>\$ 6,471,307</u>

\$ -	\$ 577,135
<u>-</u>	<u>577,135</u>

-	734,594
-	403,529
55,926	2,130,637
-	1,804,535
-	820,877
<u>55,926</u>	<u>5,894,172</u>
<u>\$ 55,926</u>	<u>\$ 6,471,307</u>

Carteret County, North Carolina

Non-major Capital Projects Fund

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2015

	County Capital Reserve Fund	County Capital Improvements Fund	School Special Projects Fund
<b>Revenues</b>			
Intergovernmental	\$ -	\$ 68,420	\$ 3,288
Interest	1,888	7,628	4,439
<b>Total revenues</b>	<b>1,888</b>	<b>76,048</b>	<b>7,727</b>
<b>Expenditures</b>			
Capital outlay	-	246,107	3,292,669
<b>Revenues over (under) expenditures</b>	<b>1,888</b>	<b>(170,059)</b>	<b>(3,284,942)</b>
<b>Other financing sources</b>			
Transfers in	-	975,000	4,500,000
<b>Total other financing sources</b>	<b>-</b>	<b>975,000</b>	<b>4,500,000</b>
<b>Revenues and other financing sources over (under) expenditures</b>	<b>1,888</b>	<b>804,941</b>	<b>1,215,058</b>
<b>Fund balances</b>			
Beginning	732,706	2,224,000	859,653
Ending	<b>\$ 734,594</b>	<b>\$ 3,028,941</b>	<b>\$ 2,074,711</b>

**Morehead  
Elementary  
School**

<b>Fund</b>	<b>Totals</b>
\$ -	\$ 71,708
(28)	13,927
(28)	85,635
<hr/>	
-	3,538,776
(28)	(3,453,141)
<hr/>	
-	5,475,000
-	5,475,000
<hr/>	
(28)	2,021,859
55,954	3,872,313
\$ 55,926	\$ 5,894,172
<hr/>	

Carteret County, North Carolina

County Capital Reserve Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Year Ended June 30, 2015

	Budget	Actual	Variance Positive
<b>Revenues</b>			
Interest	\$ -	\$ 1,888	\$ 1,888
<b>Revenues over expenditures</b>	<u>\$ -</u>	<u>1,888</u>	<u>1,888</u>
<b>Fund balances</b>			
Beginning		<u>732,706</u>	
Ending		<u>\$ 734,594</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, 2015

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$ -	\$ 68,420	\$ 68,420
Interest	2,120	7,628	5,508
<b>Total revenues</b>	<b>2,120</b>	<b>76,048</b>	<b>73,928</b>
<b>Expenditures</b>			
Capital outlay:			
Aerial Pictometry	75,535	76,038	(503)
Strategic plans	-	27,000	(27,000)
Courthouse Security	317,585	107,069	210,516
Waterway dredging	36,000	36,000	-
Taylor Extended Care Improvements	92,500	-	92,500
Park lighting	1,199,000	-	1,199,000
Atlantic Beach Park Contribution	200,000	-	200,000
<b>Total expenditures</b>	<b>1,920,620</b>	<b>246,107</b>	<b>1,674,513</b>
<b>Revenues over (under) expenditures</b>	<b>(1,918,500)</b>	<b>(170,059)</b>	<b>1,748,441</b>
<b>Other financing sources</b>			
Transfer from General Fund	975,000	975,000	-
Fund Balance Appropriated	943,500	-	(943,500)
<b>Total other financing sources</b>	<b>1,918,500</b>	<b>975,000</b>	<b>(943,500)</b>
<b>Revenues and other financing sources over expenditures</b>	<b>\$ -</b>	<b>804,941</b>	<b>\$ 804,941</b>
<b>Fund balances</b>			
Beginning		2,224,000	
Ending		<u>\$ 3,028,941</u>	

Carteret County, North Carolina

School Special Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$ -	\$ 3,288	\$ 3,288
Interest	-	4,439	4,439
<b>Total revenues</b>	<b>-</b>	<b>7,727</b>	<b>7,727</b>
<b>Expenditures</b>			
Capital outlay, Board of Education	5,301,971	3,292,669	2,009,302
<b>Revenues under expenditures</b>	<b>(5,301,971)</b>	<b>(3,284,942)</b>	<b>2,017,029</b>
<b>Other financing sources</b>			
Transfer from other funds	4,500,000	4,500,000	-
Fund balance appropriated	801,971	-	(801,971)
<b>Total other financing sources</b>	<b>5,301,971</b>	<b>4,500,000</b>	<b>(801,971)</b>
<b>Revenues and other financing sources over expenditures</b>	<b>\$ -</b>	<b>1,215,058</b>	<b>\$ 1,215,058</b>
<b>Fund balances</b>			
Beginning		859,653	
Ending		<u>\$ 2,074,711</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, 2015

	Total Project Estimate	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues</b>				
Intergovernmental	\$ 35,690	\$ 35,693	\$ -	\$ 35,693
Interest	77,010	77,630	(28)	77,602
<b>Total revenues</b>	<b>112,700</b>	<b>113,323</b>	<b>(28)</b>	<b>113,295</b>
<b>Expenditures</b>				
Capital outlay:				
Building Improvements Morehead	2,112,700	2,057,370	-	2,057,370
Building Improvements Newport	1,781,354	1,781,353	-	1,781,353
<b>Total expenditures</b>	<b>3,894,054</b>	<b>3,838,723</b>	<b>-</b>	<b>3,838,723</b>
<b>Revenues under expenditures</b>	<b>(3,781,354)</b>	<b>(3,725,400)</b>	<b>(28)</b>	<b>(3,725,428)</b>
<b>Other financing sources</b>				
Long-term debt issued	3,781,354	3,781,354	-	3,781,354
<b>Revenues and other financing sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 55,954</b>	<b>(28)</b>	<b>\$ 55,926</b>
<b>Fund balances</b>				
Beginning			55,954	
Ending			<u>\$ 55,926</u>	



# Enterprise Funds

Carteret County, North Carolina

Water Operating Fund

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)  
Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
<b>Revenues, Operating</b>			
Charges for services	\$ 570,000	\$ 576,057	\$ 6,057
<b>Total operating revenues</b>	<u>570,000</u>	<u>576,057</u>	<u>6,057</u>
<b>Expenditures, Operating</b>			
Cost of sales and services:			
Salaries and benefits	289,215	276,248	12,967
Operating expense	302,250	218,583	83,667
<b>Total operating expenditures</b>	<u>591,465</u>	<u>494,831</u>	<u>96,634</u>
<b>Operating revenues over (under) operating expenditures</b>	<u>(21,465)</u>	<u>81,226</u>	<u>102,691</u>
<b>Nonoperating Revenues (Expenditures)</b>			
Interest earnings	1,000	2,200	1,200
Interest payments	(84,000)	(81,868)	2,132
Principal payments	(186,035)	(187,032)	(997)
Capital outlay	(18,500)	(18,500)	-
<b>Total nonoperating revenues (expenditures)</b>	<u>(287,535)</u>	<u>(285,200)</u>	<u>2,335</u>
<b>Revenues under expenditures</b>	<u>(309,000)</u>	<u>(203,974)</u>	<u>105,026</u>
<b>Other Financing Sources (Uses)</b>			
Transfer from other funds	324,000	324,000	-
Sale of noncapital assets	-	1,163	1,163
Contingency	(15,000)	-	15,000
<b>Total other financing sources</b>	<u>309,000</u>	<u>325,163</u>	<u>16,163</u>
<b>Revenues and other financing sources over expenditures and other financing uses</b>	<u>\$ -</u>	<u>\$ 121,189</u>	<u>\$ 121,189</u>
Reconciliation of modified accrual basis to full accrual basis:			
Revenues and other financing uses over expenditures		\$ 121,189	
Decrease in debt interest accrued		837	
Decrease in accrued vacation pay		4,833	
Depreciation		(425,242)	
Contributions made to pension plan in the current year		13,811	
Pension expense		(1,511)	
Principal on debt		187,032	
Capital outlay		18,500	
<b>Change in net position</b>		<u>\$ (80,551)</u>	



# Agency Funds



Carteret County, North Carolina

Agency Funds

Combining Statement of Changes in Fiduciary Net Position  
June 30, 2015

	Sheriff's Department Fund	Social Services Trust Fund	Deed of Trust Agency	Cooperative Extension Agency	Totals
<b>Assets</b>					
Cash	\$ 26,297	\$ 85,549	\$ 6,734	\$ 34,335	\$ 152,915
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 26,297	\$ 85,549	\$ 6,734	\$ 34,335	\$ 152,915

**Carteret County, North Carolina**

**Agency Funds**

**Combining Statement of Changes in Assets and Liabilities  
Year Ended June 30, 2015**

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<b>Sheriff's Department Fund:</b>				
Assets, cash	\$ 46,035	\$ 177,685	\$ 197,423	\$ 26,297
Liabilities	\$ 46,035	\$ 177,685	\$ 197,423	\$ 26,297
<b>Social Services Trust Fund:</b>				
Assets, cash	\$ 135,311	\$ 170,983	\$ 220,745	\$ 85,549
Liabilities	\$ 135,311	\$ 170,983	\$ 220,745	\$ 85,549
<b>Deed of Trust Agency:</b>				
Assets, cash	\$ 6,485	\$ 69,143	\$ 68,894	\$ 6,734
Liabilities	\$ 6,485	\$ 69,143	\$ 68,894	\$ 6,734
<b>Cooperative Extension Agency:</b>				
Assets, cash	\$ 32,338	\$ 37,728	\$ 35,731	\$ 34,335
Liabilities	\$ 32,338	\$ 37,728	\$ 35,731	\$ 34,335
<b>Totals - All Agency Funds:</b>				
Assets, cash	\$ 220,169	\$ 455,539	\$ 522,793	\$ 152,915
Liabilities:				
Accounts payable and accrued liabilities	\$ 220,169	\$ 455,539	\$ 522,793	\$ 152,915



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, 2015

	2015	2014
Governmental funds capital assets:		
Land, airport	\$ 169,549	\$ 169,549
Land, other	5,450,179	5,376,135
Buildings	27,463,802	27,485,901
Vehicles	4,883,432	5,153,779
Equipment	7,364,986	7,068,214
Airport facilities	1,524,747	1,524,747
Other improvements	10,346,203	10,346,203
Leasehold improvements	2,590,428	2,590,428
<b>Total governmental funds capital assets</b>	<b>\$ 59,793,326</b>	<b>\$ 59,714,956</b>
Investment in governmental funds capital assets		
General Fund	\$ 54,174,743	\$ 54,096,373
Capital Project Funds	5,618,583	5,618,583
<b>Total investment in governmental funds capital assets</b>	<b>\$ 59,793,326</b>	<b>\$ 59,714,956</b>

Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity  
June 30, 2015

Function and Activity	Land	Buildings	Vehicles	Equipment
General Government:				
County Administration	\$ -	\$ -	\$ -	\$ 25,802
Tax Administration	252,425	114,001	86,737	273,584
Register of Deeds	-	17,665	-	265,779
Elections	-	-	-	505,242
Information Technology	-	-	-	1,179,501
Public Buildings	1,518,914	7,554,613	149,422	18,230
Other	-	-	-	27,419
<b>Total General Government</b>	<b>1,771,339</b>	<b>7,686,279</b>	<b>236,159</b>	<b>2,295,557</b>
Public Safety:				
Law Enforcement	417,991	8,614,309	1,586,312	386,765
Emergency Services	43,000	16,850	451,781	3,322,048
<b>Total Public Safety</b>	<b>460,991</b>	<b>8,631,159</b>	<b>2,038,093</b>	<b>3,708,813</b>
Transportation	169,549	-	874,202	-
Environmental Protection	153,875	64,308	436,477	353,672
Economic and Physical Development	111,178	-	143,905	131,523
Human Services	303,776	7,248,928	872,939	553,629
Culture and Recreation	2,649,020	3,833,128	281,657	321,792
<b>Total governmental funds capital assets</b>	<b>\$ 5,619,728</b>	<b>\$ 27,463,802</b>	<b>\$ 4,883,432</b>	<b>\$ 7,364,986</b>

<b>Airport Facilities</b>	<b>Other Improvements</b>	<b>Leasehold Improvements</b>	<b>Total</b>
\$ -	\$ -	\$ -	\$ 25,802
-	-	-	726,747
-	16,000	-	299,444
-	-	-	505,242
-	116,944	-	1,296,445
-	2,514,362	-	11,755,541
-	-	-	27,419
-	2,647,306	-	14,636,640
-	589,491	-	11,594,868
-	-	1,108,727	4,942,406
-	589,491	1,108,727	16,537,274
1,524,747	41,142	-	2,609,640
-	97,560	-	1,105,892
-	-	-	386,606
-	30,000	-	9,009,272
-	6,940,704	1,481,701	15,508,002
<b>\$ 1,524,747</b>	<b>\$ 10,346,203</b>	<b>\$ 2,590,428</b>	<b>\$ 59,793,326</b>

Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes by Function and Activity  
Year Ended June 30, 2015

Function and Activity	Governmental Funds				Governmental Funds
	Capital Assets June 30, 2014	Additions	Deductions	Transfers	Capital Assets June 30, 2015
General Government:					
County administration	\$ 25,802	\$ -	\$ -	\$ -	\$ 25,802
Tax administration	674,802	74,044	22,099	-	726,747
Register of Deeds	290,744	8,700	-	-	299,444
Elections	505,242	-	-	-	505,242
Information technology	1,099,498	196,947	-	-	1,296,445
Public buildings	11,819,462	-	63,921	-	11,755,541
Other	22,259	5,160	-	-	27,419
<b>Total General Government</b>	<b>14,437,809</b>	<b>284,851</b>	<b>86,020</b>	<b>-</b>	<b>14,636,640</b>
Public Safety:					
Law enforcement	11,556,112	274,803	236,047	-	11,594,868
Emergency services	4,877,723	64,683	-	-	4,942,406
<b>Total Public Safety</b>	<b>16,433,835</b>	<b>339,486</b>	<b>236,047</b>	<b>-</b>	<b>16,537,274</b>
Transportation	2,848,732	-	239,092	-	2,609,640
Environmental protection	1,107,492	7,400	9,000	-	1,105,892
Economic and physical development	421,357	22,032	56,783	-	386,606
Human services	8,957,729	84,088	32,545	-	9,009,272
Culture and recreation	15,508,002	-	-	-	15,508,002
<b>Total governmental funds capital assets</b>	<b>\$ 59,714,956</b>	<b>\$ 737,857</b>	<b>\$ 659,487</b>	<b>\$ -</b>	<b>\$ 59,793,326</b>

## Other Financial Data

## **Other Financial Information**

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

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Carteret County, North Carolina

Schedule of Ad Valorem Taxes Receivable  
June 30, 2015

Fiscal Year	Uncollected Balance June 30, 2014	Additions	Collections	Adjustments	Uncollected Balance June 30, 2015
2014-2015	\$ -	\$ 46,118,930	\$ 45,099,962	\$ (21,905)	\$ 997,063
2013-2014	1,086,220	-	532,669	(15,092)	538,459
2012-2013	592,566	-	187,176	1,810	407,200
2011-2012	398,922	-	105,675	5,483	298,730
2010-2011	268,591	-	69,767	(21,268)	177,556
2009-2010	197,368	-	55,203	4,619	146,784
2008-2009	142,304	-	27,339	2,213	117,178
2007-2008	88,934	-	16,907	1,316	73,343
2006-2007	80,664	-	11,720	2,990	71,934
2005-2006	9,856	-	2,741	(196)	6,919
2004-2005	5,831	-	243	-	5,588
	<u>\$ 2,871,256</u>	<u>\$ 46,118,930</u>	<u>\$ 46,109,402</u>	<u>\$ (40,030)</u>	<u>2,840,754</u>
Less write-off 2004-2005 tax year					<u>(5,588)</u>
					<u>2,835,166</u>
Less allowance for uncollectible ad valorem taxes receivable					<u>235,392</u>
<b>Net property taxes receivable - General Fund</b>					<u><b>\$ 2,599,774</b></u>
Reconcilement with revenue: Ad valorem taxes - General Fund					<u><b>\$ 46,109,402</b></u>

Carteret County, North Carolina

Analysis of Current Year's Tax Levy  
Year Ended June 30, 2015

	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	\$ 15,372,976,667	0.30	\$ 46,118,930	\$ 44,166,049	\$ 1,952,881
<b>Total</b>	<b>15,372,976,667</b>		<b>46,118,930</b>	<b>44,166,049</b>	<b>1,952,881</b>
Discoveries:					
Current year taxes	16,611,333		49,834	49,755	79
Corrections	3,457,000		10,371	10,333	38
<b>Total</b>	<b>20,068,333</b>		<b>60,205</b>	<b>60,088</b>	<b>117</b>
Abatements	(27,370,000)		(82,110)	(82,038)	(72)
<b>Total property valuation</b>	<b>\$ 15,365,675,000</b>				
Net levy-General Fund			46,097,025	44,144,099	1,952,926
Uncollected taxes at June 30, 2015 - General Fund			997,063	968,826	28,237
Current year's taxes collected - General Fund			\$ 45,099,962	\$ 43,175,273	\$ 1,924,689
Current levy collection percentage - General Fund			97.84%	97.81%	98.55%



# Statistical Section

## Statistical Section (Unaudited)

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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.

<b>Contents</b>	<b>Page</b>
-----------------	-------------

<b>Financial Trends</b>	<b>156</b>
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These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

<b>Revenue Capacity</b>	<b>170</b>
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These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

<b>Debt Capacity</b>	<b>182</b>
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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.

<b>Demographic and Economic Information</b>	<b>189</b>
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

<b>Operating Information</b>	<b>194</b>
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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)**

	Fiscal Year			
	2006	2007	2008	2009
Governmental activities				
Net investment in capital assets	\$ 23,399,525	\$ 22,287,747	\$ 21,792,965	\$ 22,484,382
Restricted	4,154,799	7,127,547	10,233,675	13,043,008
Unrestricted	(13,945,342)	(12,037,832)	(24,226,402)	(28,471,360)
<b>Total governmental activities     net position</b>	<b>\$ 13,608,982</b>	<b>\$ 17,377,462</b>	<b>\$ 7,800,238</b>	<b>\$ 7,056,030</b>
Business-type activities				
Net investment in capital assets	\$ 3,630,795	\$ 3,665,231	\$ 3,557,690	\$ 3,634,160
Unrestricted	192,739	392,417	548,951	553,518
<b>Total business-type activities</b>	<b>\$ 3,823,534</b>	<b>\$ 4,057,648</b>	<b>\$ 4,106,641</b>	<b>\$ 4,187,678</b>
Primary government				
Net investment in capital assets	\$ 27,030,320	\$ 25,952,978	\$ 25,350,655	\$ 26,118,542
Restricted	4,154,799	7,127,547	10,233,675	13,043,008
Unrestricted	(13,752,603)	(11,645,415)	(23,677,451)	(27,917,842)
<b>Total primary government     net position</b>	<b>\$ 17,432,516</b>	<b>\$ 21,435,110</b>	<b>\$ 11,906,879</b>	<b>\$ 11,243,708</b>

Schedule 1

2010	2011	2012	2013	2014	2015
\$ 24,050,669	\$ 26,022,027	\$ 26,469,612	\$ 25,250,857	\$ 23,480,626	\$ 22,736,938
15,431,921	24,524,242	24,685,705	17,586,592	20,852,514	23,967,802
(32,695,396)	(41,158,484)	(33,049,640)	(23,716,266)	(14,716,290)	(8,948,033)
<b>\$ 6,787,194</b>	<b>\$ 9,387,785</b>	<b>\$ 18,105,677</b>	<b>\$ 19,121,183</b>	<b>\$ 29,616,850</b>	<b>\$ 37,756,707</b>
\$ 4,098,772	\$ 4,079,804	\$ 5,416,107	\$ 5,558,997	\$ 5,353,434	\$ 5,133,724
190,973	516,359	(851,225)	656,050	700,030	816,057
<b>\$ 4,289,745</b>	<b>\$ 4,596,163</b>	<b>\$ 4,564,882</b>	<b>\$ 6,215,047</b>	<b>\$ 6,053,464</b>	<b>\$ 5,949,781</b>
\$ 28,149,441	\$ 30,101,831	\$ 31,885,719	\$ 30,809,854	\$ 28,834,060	\$ 27,870,662
15,431,921	24,524,242	24,685,705	17,586,592	20,852,514	23,967,802
(32,504,423)	(40,642,125)	(33,900,865)	(23,060,216)	(14,016,260)	(8,131,976)
<b>\$ 11,076,939</b>	<b>\$ 13,983,948</b>	<b>\$ 22,670,559</b>	<b>\$ 25,336,230</b>	<b>\$ 35,670,314</b>	<b>\$ 43,706,488</b>

**Carteret County, North Carolina**

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

	Fiscal Year			
	2006	2007	2008	2009
<b>Expenses</b>				
Governmental activities:				
General government	\$ 4,996,540	\$ 6,133,328	\$ 6,254,064	\$ 6,558,268
Public safety	13,459,003	14,263,740	16,381,281	16,599,129
Transportation	710,225	979,342	892,718	858,784
Economic and physical development	5,571,720	5,543,270	4,848,724	5,207,919
Environmental protection	3,362,113	2,916,754	2,914,590	3,105,363
Human Services	14,971,013	15,939,574	16,656,957	16,302,247
Cultural and recreation	2,910,221	2,990,410	3,355,687	3,182,526
Education	21,224,743	30,048,298	47,189,262	35,465,104
Interest on long term debt	2,281,034	2,934,102	3,690,063	3,493,485
<b>Total governmental activities</b>	<b>69,486,612</b>	<b>81,748,818</b>	<b>102,183,346</b>	<b>90,772,825</b>
Business-type activities:				
Water	607,483	728,319	813,171	934,919
<b>Total primary government expenses</b>	<b>\$ 70,094,095</b>	<b>\$ 82,477,137</b>	<b>\$ 102,996,517</b>	<b>\$ 91,707,744</b>

(Continued)

2010	2011	2012	2013	2014	2015
\$ 6,369,989	\$ 6,290,765	\$ 5,926,629	\$ 5,946,901	\$ 6,442,611	\$ 6,949,982
16,919,404	19,094,741	17,566,816	18,335,600	18,792,650	19,162,990
907,113	1,107,365	1,288,106	2,447,821	1,076,768	1,442,425
4,469,445	4,925,627	6,917,827	12,020,756	5,031,505	5,538,785
3,130,735	3,274,042	4,032,723	3,150,593	3,158,629	3,417,029
15,071,578	15,713,990	15,880,099	15,277,891	15,324,864	15,635,355
4,198,808	2,108,234	3,469,307	3,485,610	3,783,152	3,711,166
31,982,375	28,623,466	25,368,980	25,364,930	24,135,533	27,466,650
3,197,911	3,087,406	2,794,930	2,095,322	2,097,621	1,596,808
86,247,358	84,225,636	83,245,417	88,125,424	79,843,333	84,921,190
798,432	849,324	815,298	909,307	1,027,308	983,971
\$ 87,045,790	\$ 85,074,960	\$ 84,060,715	\$ 89,034,731	\$ 80,870,641	\$ 85,905,161

**Carteret County, North Carolina**

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

	Fiscal Year			
	2006	2007	2008	2009
<b>Program Revenues</b>				
Governmental activities				
Charges for services:				
General government	\$ 3,328,301	\$ 2,136,825	\$ 1,917,552	\$ 1,561,770
Public safety	227,728	197,975	232,885	174,213
Transportation	86,527	93,686	86,039	95,664
Economic and physical development	832,350	909,245	650,171	414,507
Environmental protection	2,136,283	2,209,037	2,229,849	2,247,269
Human services	557,621	616,532	564,816	415,474
Cultural and recreation	238,638	287,314	222,019	203,376
Operating grants and contributions:				
General government	234,518	375,440	52,670	68,319
Public safety	795,183	414,350	736,971	1,408,259
Transportation	268,667	377,847	315,952	389,394
Economic and physical development	256,175	1,394,075	82,939	848,310
Environmental protection	573,220	-	342,511	16,114
Human services	6,975,699	7,595,165	8,637,735	8,402,963
Cultural and recreation	-	1,680	1,165	-
Education	506,611	160,871	290,335	136,401
Interest on long term debt	-	850,000	850,000	1,377,380
Capital grants and contributions:				
Public safety	191,221	-	-	-
Transportation	143,313	-	63,694	-
Economic and physical development	508,607	-	-	158,668
Cultural and recreation	48,641	-	-	1,134,485
Education	-	-	-	387,070
<b>Total governmental activities program revenues</b>	<b>17,909,303</b>	<b>17,620,042</b>	<b>17,277,303</b>	<b>19,439,636</b>

(Continued)

2010	2011	2012	2013	2014	2015
\$ 1,477,628	\$ 1,486,751	\$ 1,642,152	\$ 1,638,250	\$ 1,552,817	\$ 1,612,251
162,804	186,134	173,546	308,908	293,299	212,708
125,360	327,244	225,239	184,316	193,228	177,027
435,466	511,550	575,489	611,160	513,351	544,236
2,243,091	2,214,925	2,189,986	2,198,355	2,398,662	2,431,367
382,602	330,817	346,126	334,799	370,946	367,114
213,789	238,376	277,774	252,227	269,228	297,915
38,218	-	5,465	22,592	-	-
1,264,069	1,725,254	1,438,146	1,067,750	1,150,055	1,201,955
403,443	162,064	352,943	525,199	643,090	737,800
665,788	129,447	889,989	1,103,253	119,025	547,165
22,176	15,542	859,246	3,885	406,301	149,085
8,494,321	9,274,540	9,074,506	9,652,900	9,349,318	10,211,027
7,365	3,242	405	1,280	26,761	88,314
148,415	255,946	53,241	71,025	45,159	48,172
700,000	800,000	988,351	965,660	921,831	904,198
-	57,660	26,169	-	-	-
-	251,957	2,400	305,185	-	-
-	-	354,984	-	-	-
236,993	194,693	111,784	-	-	-
-	-	87,984	-	-	-
17,021,528	18,166,142	19,675,925	19,246,744	18,253,071	19,530,334

**Carteret County, North Carolina**

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

	Fiscal Year			
	2006	2007	2008	2009
Business-type activities:				
Charge for services - Water	\$ 361,888	\$ 493,342	\$ 550,256	\$ 573,359
Capital grants and contributions - Water	-	146,065	-	167,757
<b>Total business-type activities program revenues</b>	<b>361,888</b>	<b>639,407</b>	<b>550,256</b>	<b>741,116</b>
<b>Total primary government program revenues</b>	<b>\$ 18,271,191</b>	<b>\$ 18,259,449</b>	<b>\$ 17,827,559</b>	<b>\$ 20,180,752</b>
Governmental activities	\$ (51,577,309)	\$ (64,128,776)	\$ (84,906,043)	\$ (71,333,189)
Business-type activities	(245,595)	(88,912)	(262,915)	(193,803)
<b>Total primary government net (expense)/revenue</b>	<b>\$ (51,822,904)</b>	<b>\$ (64,217,688)</b>	<b>\$ (85,168,958)</b>	<b>\$ (71,526,992)</b>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Property taxes	\$ 38,994,213	\$ 42,377,566	\$ 48,592,344	\$ 50,175,809
Local option sales tax	14,303,322	16,794,865	17,531,935	14,210,399
Other taxes	6,730,679	5,276,663	5,415,909	4,542,881
Intergovernmental	164,954	397,918	665,684	263,104
Investment earnings	1,302,511	3,196,255	3,310,752	1,593,849
Miscellaneous	1,538	142,989	90,195	60,939
Special Item	-	-	-	-
Transfers	(210,940)	(289,000)	(278,000)	(258,000)
<b>Total governmental activities</b>	<b>61,286,277</b>	<b>67,897,256</b>	<b>75,328,819</b>	<b>70,588,981</b>
Business-type activities:				
Investment earnings	8,924	23,451	33,908	16,840
Intergovernmental, unrestricted	56,084	10,574	-	-
Miscellaneous	-	-	-	-
Transfers	210,940	289,000	278,000	258,000
<b>Total business-type activities</b>	<b>275,948</b>	<b>323,025</b>	<b>311,908</b>	<b>274,840</b>
<b>Total primary government</b>	<b>\$ 61,562,225</b>	<b>\$ 68,220,281</b>	<b>\$ 75,640,727</b>	<b>\$ 70,863,821</b>
<b>Change in Net Position</b>				
Governmental activities	\$ 9,708,968	\$ 3,768,480	\$ (9,577,224)	\$ (744,208)
Business-type activities	30,353	234,113	48,993	81,037
<b>Total primary government</b>	<b>\$ 9,739,321</b>	<b>\$ 4,002,593</b>	<b>\$ (9,528,231)</b>	<b>\$ (663,171)</b>

2010	2011	2012	2013	2014	2015
\$ 564,172	\$ 457,668	\$ 526,067	\$ 575,338	\$ 562,238	\$ 576,057
115,605	384,395	3,618	1,751,350	-	-
679,777	842,063	529,685	2,326,688	562,238	576,057
\$ 17,701,305	\$ 19,008,205	\$ 20,205,610	\$ 21,573,432	\$ 18,815,309	\$ 20,106,391
\$ (69,225,830)	\$ (66,059,494)	\$ (63,569,492)	\$ (68,878,680)	\$ (61,590,262)	\$ (65,390,856)
(118,655)	(7,261)	(285,613)	1,417,381	(465,070)	(407,914)
\$ (69,344,485)	\$ (66,066,755)	\$ (63,855,105)	\$ (67,461,299)	\$ (62,055,332)	\$ (65,798,770)
\$ 50,528,632	\$ 51,159,340	\$ 51,442,461	\$ 50,250,954	\$ 50,921,192	\$ 52,302,979
12,277,230	12,051,519	12,895,813	13,718,008	13,640,870	14,800,458
4,398,904	4,595,602	4,748,326	4,615,833	5,240,019	6,476,176
462,860	677,029	780,738	793,818	964,088	966,265
790,705	401,788	539,146	(69,957)	285,376	198,419
703,663	79,807	2,125,900	142,562	205,888	764,879
-	-	-	2,000,000	1,128,496	-
(205,000)	(305,000)	(245,000)	(231,565)	(300,000)	(324,000)
68,956,994	68,660,085	72,287,384	71,219,653	72,085,929	75,185,176
15,722	8,679	9,332	1,219	3,487	2,200
-	-	-	-	-	-
-	-	-	-	-	1,163
205,000	305,000	245,000	231,565	300,000	324,000
220,722	313,679	254,332	232,784	303,487	327,363
\$ 69,177,716	\$ 68,973,764	\$ 72,541,716	\$ 71,452,437	\$ 72,389,416	\$ 75,512,539
\$ (268,836)	\$ 2,600,591	\$ 8,717,892	\$ 2,340,973	\$ 10,495,667	\$ 9,794,320
102,067	306,418	(31,281)	1,650,165	(161,583)	(80,551)
\$ (166,769)	\$ 2,907,009	\$ 8,686,611	\$ 3,991,138	\$ 10,334,084	\$ 9,713,769

Carteret County, North Carolina

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

	Fiscal Year		
	2006	2007	2008
<b>General Fund</b>			
Reserved for:			
State statute	\$ 5,245,544	\$ 5,441,376	\$ 6,058,268
Prepaid items	-	-	92,056
Sheriff's fund	24,161	39,116	61,376
Debt Service	-	-	-
Recreation districts	55,053	88,593	88,665
Health programs	1,081,508	1,177,309	1,135,530
Register of deeds	190,045	251,440	293,368
Beach nourishment	2,040,923	4,023,290	5,996,954
<b>Total reserve</b>	<b>8,637,234</b>	<b>11,021,124</b>	<b>13,726,217</b>
Unreserved:			
Designated for subsequent year's expenditures	825,000	155,000	720,000
Undesignated	18,814,243	21,917,920	23,152,988
<b>Total General Fund</b>	<b>\$ 28,276,477</b>	<b>\$ 33,094,044</b>	<b>\$ 37,599,205</b>
<b>All Other Governmental Funds</b>			
Reserved for:			
State statute	\$ -	\$ -	\$ -
E911 wireless	-	741,702	-
Special districts	-	410,542	1,147,999
	-	1,152,244	1,147,999
Unreserved:			
Designated for subsequent year's expenditures	22,877,167	36,035,398	19,382,507
Undesignated special revenue funds	614,664	371,947	1,006,822
Undesignated capital projects funds	1,418,615	3,650,440	4,891,288
<b>Total all other governmental funds</b>	<b>\$ 24,910,446</b>	<b>\$ 41,210,029</b>	<b>\$ 26,428,616</b>

**Schedule 3**  
**Page 1 of 2**

2009	2010
\$ 6,537,961	\$ 5,668,864
-	-
120,361	84,052
-	-
89,129	89,129
973,892	907,160
325,898	274,802
7,665,277	9,550,285
15,712,518	16,574,292
-	307,505
23,791,470	25,445,763
<u>\$ 39,503,988</u>	<u>\$ 42,327,560</u>

\$ -	\$ -
-	-
1,809,004	2,430,758
1,809,004	2,430,758
12,882,665	1,906,995
1,405,876	948,533
3,473,937	4,280,372
<u>\$ 19,571,482</u>	<u>\$ 9,566,658</u>

**Carteret County, North Carolina**

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

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

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

**Schedule 3**  
**Page 2 of 2**

Fiscal Year	
2014	2015
\$ 5,613,195	\$ 6,457,421
437,789	426,804
102,739	104,081
797,986	615,523
375,918	394,275
7,312,865	10,283,851
1,705,420	1,128,497
<u>16,345,912</u>	<u>19,410,452</u>
5,254,210	3,717,325
30,092,051	30,644,570
<u>\$ 51,692,173</u>	<u>\$ 53,772,347</u>

\$ 688,078	\$ 881,162
713,377	820,427
1,723,198	1,656,221
12,139	-
1,290,682	1,494,748
<u>4,427,474</u>	<u>4,852,558</u>
732,706	734,594
403,529	403,529
903,468	2,130,637
1,451,065	2,139,650
1,005,471	820,877
<u>(1,033,467)</u>	<u>(1,181,701)</u>
<u>\$ 7,890,246</u>	<u>\$ 9,900,144</u>

Carteret County, North Carolina

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	2006	2007	2008	2009
<b>Revenues</b>				
Taxes:				
Property	\$ 38,995,144	\$ 42,487,337	\$ 48,720,636	\$ 49,678,930
Sales and other taxes	21,034,001	22,071,528	22,947,844	18,753,280
<b>Total taxes</b>	<b>60,029,145</b>	<b>64,558,865</b>	<b>71,668,480</b>	<b>68,432,210</b>
Permits and fees	4,164,371	3,633,685	3,079,055	2,484,066
Intergovernmental	10,666,809	11,567,346	12,039,656	14,544,225
Sales and services	2,589,990	2,566,066	2,650,004	2,605,889
Interest	1,302,510	3,196,255	3,310,752	1,593,849
Miscellaneous	698,189	350,904	267,994	149,586
<b>Total revenues</b>	<b>79,451,014</b>	<b>85,873,121</b>	<b>93,015,941</b>	<b>89,809,825</b>
<b>Expenditures</b>				
General government	4,898,195	5,312,246	5,745,169	5,821,968
Public safety	13,422,324	13,947,141	16,132,558	16,424,222
Transportation	736,491	847,387	858,646	941,321
Environmental protection	3,404,122	2,891,843	2,900,884	3,070,121
Economic development	5,585,495	4,334,443	4,959,166	5,189,267
Human services	14,659,109	15,696,967	16,391,072	15,774,335
Culture and recreation	2,548,009	2,737,147	3,013,274	2,685,231
Education	18,870,730	20,196,594	21,556,439	22,851,145
Capital outlay	3,836,951	11,289,414	26,052,502	15,564,833
Debt service:				
Principal	4,175,000	4,785,000	5,922,857	13,243,078
Interest	2,161,065	2,954,302	3,568,542	4,077,579
Bond issuance cost	-	-	-	-
<b>Total expenditures</b>	<b>74,297,491</b>	<b>84,992,484</b>	<b>107,101,109</b>	<b>105,643,100</b>
<b>Excess (deficiency) of         of revenues over (under)         expenditures</b>	<b>5,153,523</b>	<b>880,637</b>	<b>(14,085,168)</b>	<b>(15,833,275)</b>
<b>Other financing sources (uses):</b>				
Transfers in	4,477,917	6,502,225	9,407,194	4,652,822
Transfers out	(4,688,857)	(6,791,225)	(9,408,499)	(4,910,822)
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	11,138,924
<b>Total other financing         sources (uses)</b>	<b>22,154,186</b>	<b>20,105,928</b>	<b>3,808,916</b>	<b>10,880,924</b>
<b>Net change in fund balance</b>	<b>\$ 27,307,709</b>	<b>\$ 20,986,565</b>	<b>\$ (10,276,252)</b>	<b>\$ (4,952,351)</b>
Debt service as a percentage of noncapital expenditures	8.91%	9.18%	8.96%	17.02%

Schedule 4

	2010	2011	2012	2013	2014	2015
\$	50,200,352	\$ 50,519,817	\$ 51,069,950	\$ 50,110,266	\$ 50,941,906	\$ 52,173,675
	16,676,134	16,647,121	17,644,139	18,333,841	18,880,889	21,276,634
	66,876,486	67,166,938	68,714,089	68,444,107	69,822,795	73,450,309
	2,355,405	2,407,908	2,590,236	2,781,510	2,575,469	2,592,668
	12,341,283	13,642,310	15,026,351	14,512,547	13,625,628	14,853,980
	2,681,926	2,710,406	2,840,076	2,746,505	3,016,062	3,049,951
	790,705	401,788	539,146	(69,957)	285,376	198,419
	156,290	164,968	211,118	118,669	172,353	647,154
	85,202,095	86,494,318	89,921,016	88,533,381	89,497,683	94,792,481
	5,852,801	5,710,894	5,402,432	5,697,525	6,160,049	6,689,088
	16,291,686	18,135,931	16,863,612	17,548,136	18,122,055	18,728,679
	781,852	952,210	1,159,848	2,658,305	918,872	1,295,944
	3,104,110	3,189,081	4,014,786	3,104,387	3,132,347	3,395,439
	4,441,078	4,889,167	6,862,298	5,782,737	4,922,228	5,582,073
	14,618,041	15,221,814	15,598,191	14,814,576	14,719,500	15,639,871
	2,632,473	1,590,158	2,774,024	2,889,936	3,191,895	3,190,144
	21,888,541	28,623,466	22,306,178	21,265,441	21,816,743	24,173,981
	13,242,438	3,505,755	3,689,741	10,484,171	2,837,981	3,538,776
	6,217,427	6,465,073	6,615,517	6,174,180	6,520,683	6,145,377
	3,188,650	2,943,555	2,883,139	2,558,945	2,280,183	2,067,935
	-	-	-	-	-	107,922
	92,259,097	91,227,104	88,169,766	92,978,339	84,622,536	90,555,229
	(7,057,002)	(4,732,786)	1,751,250	(4,444,958)	4,875,147	4,237,252
	4,567,901	4,773,110	4,218,376	11,921,740	4,911,458	8,725,677
	(4,772,901)	(5,078,110)	(4,463,376)	(12,153,305)	(5,211,458)	(9,049,677)
	80,750	5,653,860	1,531,514	2,000,000	53,765	58,782
	-	-	-	-	1,128,496	-
	-	-	-	2,624,435	-	-
	-	-	-	-	-	-
	-	-	10,029,942	12,700,000	-	12,250,000
	-	-	(10,012,059)	(15,077,852)	-	(12,131,962)
	-	-	-	-	907,000	-
	(124,250)	5,348,860	1,304,397	2,015,018	1,789,261	(147,180)
\$	(7,181,252)	\$ 616,074	\$ 3,055,647	\$ (2,429,940)	\$ 6,664,408	\$ 4,090,072
	10.53%	10.73%	10.92%	9.52%	10.52%	9.26%

**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)	
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 <sup>(5)</sup>	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 <sup>(5)</sup>	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
<b>2015</b>	<b>13,066,163,985</b>	<b>1,022,301,188</b>	<b>33,593,356</b>	<b>70,263,592</b>	<b>14,192,322,121</b>

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)
\$ 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
<b>1,049,826,237</b>	<b>123,526,642</b>	<b>15,365,675,000</b>	<b>0.30</b>	<b>15,365,675,000</b>



**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 <sup>1</sup>		Total Direct and Overlapping Rates
		Municipalities Operating Mileage	Special Districts	
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
<b>2015</b>	<b>0.3000</b>	<b>1.9630</b>	<b>1.9485</b>	<b>4.2115</b>

Source: Carteret County Tax Department

<sup>1</sup> 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**

	Fiscal Year			
	2006	2007	2008	2009
<b>Carteret County</b>	0.4200	0.4400	0.2300	0.2300
<b>Municipalities</b>				
Atlantic Beach	0.2300	0.2600	0.1500	0.1250
Beaufort	0.3800	0.3800	0.1900	0.2200
Bogue	0.0500	0.0500	0.0500	0.0500
Cape Carteret	0.2300	0.2300	0.1550	0.1550
Cedar Point	0.0500	0.0500	0.0500	0.0500
Emerald Isle	0.1550	0.1550	0.0670	0.0700
Indian Beach	0.1000	0.1000	0.0600	0.1100
Morehead City	0.3800	0.3800	0.2200	0.2200
Newport	0.4300	0.4000	0.2700	0.2900
Pelletier	0.0500	0.0500	0.0500	0.0500
Pine Knoll Shores	0.1800	0.1800	0.0800	0.1150
<b>Fire Districts</b>				
Atlantic	0.0650	0.0650	0.0700	0.0700
Beaufort	0.0700	0.0550	0.0300	0.0350
Broad & Gales Creek	0.0400	0.0550	0.0450	0.0450
Cedar Island	0.1000	0.1000	0.1000	0.1000
Davis	0.1000	0.1000	0.0850	0.0900
Harkers Island	0.0600	0.0600	0.0400	0.0400
Harlowe	0.0550	0.0550	0.0450	0.0450
Marshallberg	0.0700	0.0700	0.0850	0.0850
Mill Creek	0.0550	0.0550	0.0450	0.0450
Mitchell Village	0.0800	0.0800	0.0900	0.0750
Newport	0.0800	0.0800	0.0400	0.0700
North River	0.0750	0.0750	0.0450	0.0450
Otway	0.0400	0.0400	0.0250	0.0500
Salter Path	0.0600	0.0700	0.0300	0.0300
Sea Level	0.1000	0.1000	0.1000	0.1000
South River/ Merrimon	0.0700	0.0700	0.0550	0.0350
Stacy	0.0800	0.0800	0.0600	0.0700
Stella	0.0500	0.0500	0.0250	0.0200
Western Carteret	0.0700	0.0700	0.0400	0.0400
Wildwood	0.0950	0.0950	0.0450	0.0600

(Continued)

Schedule 7  
Page 1 of 2

2010	2011	2012	2013	2014	2015
0.2300	0.2300	0.3000	0.2900	0.2900	<b>0.3000</b>
0.1250	0.1250	0.1700	0.1700	0.1650	<b>0.1650</b>
0.2200	0.2200	0.2600	0.3000	0.3000	<b>0.3300</b>
0.0500	0.0500	0.0500	0.0500	0.0500	<b>0.0500</b>
0.1400	0.1400	0.1625	0.1525	0.1525	<b>0.1525</b>
0.0550	0.0550	0.0625	0.0625	0.0625	<b>0.0625</b>
0.0700	0.0800	0.1150	0.1150	0.1250	<b>0.1400</b>
0.1400	0.1500	0.2150	0.2150	0.1650	<b>0.1650</b>
0.2200	0.2200	0.2850	0.2850	0.3150	<b>0.3300</b>
0.3100	0.3300	0.3570	0.3570	0.3570	<b>0.3570</b>
0.0500	0.0550	0.0550	0.0550	0.0550	<b>0.0550</b>
0.1150	0.1150	0.1560	0.1560	0.1560	<b>0.1560</b>
0.0700	0.0700	0.0700	0.0700	0.0700	<b>0.0700</b>
0.0350	0.0550	0.0550	0.0550	0.0550	<b>0.0550</b>
0.0450	0.0300	0.0300	0.0300	0.0300	<b>0.0300</b>
0.1000	0.1000	0.1000	0.1000	0.1000	<b>0.1000</b>
0.0900	0.0850	0.0850	0.0850	0.0850	<b>0.0850</b>
0.0650	0.0700	0.0800	0.0800	0.0700	<b>0.0700</b>
0.0550	0.0600	0.0750	0.0750	0.0750	<b>0.0750</b>
0.0800	0.0900	0.0900	0.0900	0.0900	<b>0.0900</b>
0.0450	0.0450	0.0450	0.0450	0.0450	<b>0.0450</b>
0.0750	0.0750	0.0750	0.0650	0.0550	<b>0.0500</b>
0.0700	0.0700	0.0700	0.0700	0.0700	<b>0.0700</b>
0.0900	0.0900	0.0900	0.0900	0.0900	<b>0.0900</b>
0.0500	0.0500	0.0550	0.0550	0.0700	<b>0.0700</b>
0.0300	0.0300	0.0500	0.0600	0.0600	<b>0.0600</b>
0.1000	0.1000	0.0950	0.0950	0.0950	<b>0.0950</b>
0.0600	0.0600	0.0600	0.0600	0.0600	<b>0.0600</b>
0.0700	0.0850	0.0850	0.0850	0.0850	<b>0.0850</b>
0.0250	0.0400	0.0400	0.0400	0.0400	<b>0.0400</b>
0.0400	0.0400	0.0400	0.0400	0.0400	<b>0.0400</b>
0.0600	0.0650	0.0850	0.0850	0.0850	<b>0.0675</b>

**Carteret County, North Carolina**

**Property Tax Rates - Direct and Overlapping Governments - Detail (Continued)**

**(Per \$100.00 of Assessed Value)**

**Last Ten Fiscal Years**

	Fiscal Year			
	2006	2007	2008	2009
<b>Rescue Districts</b>				
Beaufort	0.0550	0.0600	0.0250	0.0400
Broad & Gales Creek	0.0750	0.0750	0.0350	0.0350
Mill Creek	0.0200	0.0200	0.0450	0.0450
Mitchell Village	0.0400	0.0400	0.0250	0.0400
Otway	0.0550	0.0550	0.0300	0.0300
Sea Level	0.1675	0.1675	0.1200	0.1200
Western Carteret	0.0500	0.0500	0.0300	0.0300
<b>Beach Nourishment Districts</b>				
Salter Path	0.4300	0.4300	-	-
Indian Beach Non Ocean Front	0.0200	0.0200	0.0200	0.0100
Indian Beach Ocean Front	0.2200	0.3200	0.0100	0.0100
Emerald Isle Non Ocean Front	0.0300	0.1850	0.0110	0.0110
Emerald Isle Ocean Front	0.4800	0.6350	0.1620	0.1620
Pine Knoll Shores Ocean Front	0.0600	0.6000	0.0264	0.0160
Pine Knoll Shores Non Ocean Front	0.2000	0.2400	0.1727	0.1050
<b>Water Districts</b>				
County Water District <sup>1</sup>	-	-	-	-

Source: Carteret County Tax Department

Notes:

<sup>1</sup>First Year Tax District 2012

2010	2011	2012	2013	2014	2015
0.0450	0.0450	0.0500	0.0500	0.0500	<b>0.0500</b>
0.0300	0.0300	0.0300	0.0300	0.0300	<b>0.0300</b>
0.0450	0.0450	0.0450	0.0450	0.0450	<b>0.0450</b>
0.0400	0.0400	0.0400	0.0300	0.0200	<b>0.0200</b>
0.0300	0.0300	0.0300	0.0300	0.0300	<b>0.0300</b>
0.1200	0.1200	0.0800	0.0600	0.0600	<b>0.1000</b>
0.0300	0.0300	0.0300	0.0300	0.0300	<b>0.0300</b>
-	-	0.1500	0.0500	0.0500	<b>0.0500</b>
0.0100	0.0100	0.0100	0.0325	0.0325	<b>0.0300</b>
0.0100	0.0100	0.0350	0.0850	0.0850	<b>0.0650</b>
0.0110	0.0110	0.0150	0.0150	0.0150	<b>0.0000</b>
0.1620	0.1620	0.0450	0.0450	0.0450	<b>0.0300</b>
0.0160	0.0160	0.0140	0.0140	0.0140	<b>0.0140</b>
0.1050	0.1050	0.0520	0.0520	0.0520	<b>0.0520</b>
-	-	0.0550	0.0550	0.0550	<b>0.0550</b>



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

Name of Taxpayer	Type of Enterprise	Fiscal Year 2015			Fiscal Year 2006		
		Assessed Valuation	Rank	Percent of Total Assessed Valuation	Assessed Valuation	Rank	Percent of Total Assessed Valuation
Carteret Craven Electric	Utility	\$ 120,255,076	1	0.783%	\$ 33,835,035	1	0.40%
Progress Energy	Utility	85,268,005	2	0.555%	32,639,686	2	0.38%
Open Grounds Farm, Inc.	Farm	67,285,969	3	0.438%	31,604,826	4	0.37%
Carolina Telephone	Utility	36,384,719	4	0.237%	31,633,943	3	0.37%
Goose Creek Landing HOA	Real Estate	33,372,126	5	0.217%	-	-	-
ITAC 192 LLC	Real Estate	22,709,081	6	0.148%	-	-	-
Atlantic Newport Hospitality	Hotel	16,804,414	7	0.109%	-	-	-
Manatee Investments Ltd	Real Estate	15,133,045	8	0.098%	-	-	-
USPG Portfolia One LLC	Retail	15,079,895	9	0.098%	12,375,792	7	0.14%
Peppertree Atlantic Beach	Real Estate	14,953,626	10	0.097%	-	-	-
Atlantic Veneer Corp	Manufacturing	-	-	-	18,679,278	5	0.22%
GR&S Atlantic Beach Ltd	Real Estate	-	-	0.000%	15,496,228	6	0.18%
Wal-Mart Stores East Inc	Retail	-	-	0.000%	11,815,034	8	0.14%
Time Warner Entertainment	Communications	-	-	-	11,221,443	9	0.13%
Weyerhaeuser Company	Real Estate	-	-	-	4,600,317	10	0.05%
		<b>\$ 427,245,956</b>		<b>2.780%</b>	<b>\$ 203,901,582</b>		<b>2.380%</b>

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
2006	\$ 34,299,028	\$ 16,727	\$ 34,315,755	\$ 33,517,698	97.67%
2007	37,997,380	(153,178)	37,844,202	36,909,457	97.53%
2008	43,386,701	(119,434)	43,267,267	42,240,730	97.63%
2009	43,880,900	(104,089)	43,776,811	42,486,645	97.05%
2010	44,158,178	(121,256)	44,036,922	42,758,524	97.10%
2011	44,397,414	(16,487)	44,380,927	43,043,486	96.99%
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%
2015	<b>46,118,930</b>	<b>(21,905)</b>	<b>46,097,025</b>	<b>45,099,962</b>	<b>97.84%</b>

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
\$	810,569	\$ 34,328,267	100.04%
	915,854	37,825,311	99.95%
	874,473	43,115,203	99.65%
	1,087,953	43,574,598	99.54%
	1,118,242	43,876,766	99.64%
	1,138,617	44,182,103	99.55%
	1,029,857	44,788,400	99.35%
	804,350	43,628,677	99.07%
	532,669	44,254,803	98.76%
	-	<b>45,099,962</b>	<b>97.84%</b>

**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
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
<b>2015</b>	<b>33,475,000</b>	<b>2,680,697</b>	<b>3,090,000</b>	<b>11,709,696</b>

\* 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 2014 and 2015.

Schedule 10

Business Activity							
Installment Loans	Bond Anticipation Notes	Revenue Bonds	Total Primary Government	Per Capita (1)	Percentage of Personal Income (1)		
\$ 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	2.27%		
1,959,288	-	1,046,000	59,576,152	862	*		
<b>1,788,256</b>	-	<b>1,030,000</b>	<b>53,773,649</b>	<b>778</b>	*		



**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
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%	1.53%	68,645	642.00
2014	39,645,791	15,451,156,552	0.26%	*	69,092	573.81
<b>2015</b>	<b>36,155,697</b>	<b>15,365,675,000</b>	<b>0.24%</b>	<b>*</b>	<b>70,079</b>	<b>515.93</b>

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 2014 and 2015

**Carteret County, North Carolina**

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

	Fiscal Year			
	2006	2007	2008	2009
Assessed values of property	\$ 8,189,801,676	\$ 8,619,249,952	\$ 18,620,488,670	\$ 19,028,825,652
Debt limit 8% of assessed value	655,184,134	689,539,996	1,489,639,094	1,522,306,052
Gross debt:				
Total bonded debt	66,320,000	80,135,000	75,155,000	62,965,000
Installment debt	1,800,000	3,500,000	6,367,364	16,453,210
Net bond premiums and adjustments	54,600	201,508	221,156	(197,572)
Authorized unissued bonded debt	28,010,000	9,710,000	9,710,000	9,710,000
<b>Total amount of debt applicable to debt limit</b>	<b>96,184,600</b>	<b>93,546,508</b>	<b>91,453,520</b>	<b>88,930,638</b>
Legal debt margin	<b>\$ 558,999,534</b>	<b>\$ 595,993,488</b>	<b>\$ 1,398,185,574</b>	<b>\$ 1,433,375,414</b>
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	<b>14.68%</b>	<b>13.57%</b>	<b>6.14%</b>	<b>5.84%</b>

Schedule 12

	2010	2011	2012	2013	2014	2015
\$	19,154,428,262	\$ 19,287,665,218	\$ 15,072,107,348	\$ 15,178,413,206	\$ 15,451,156,552	\$ 15,365,675,000
	1,532,354,261	1,543,013,217	1,205,768,588	1,214,273,056	1,236,092,524	1,229,254,000
	58,065,000	53,900,000	49,760,000	44,645,000	40,105,000	36,565,000
	15,135,783	18,489,570	16,099,052	14,339,872	13,365,073	11,709,696
	(137,327)	(77,132)	35,220	3,464,917	3,100,791	2,680,697
	9,710,000	9,710,000	9,710,000	9,710,000	9,710,000	9,710,000
	82,773,456	82,022,438	75,604,272	72,159,789	66,280,864	60,665,393
\$	1,449,580,805	\$ 1,460,990,779	\$ 1,130,164,316	\$ 1,142,113,267	\$ 1,169,811,660	\$ 1,168,588,607
	5.40%	5.32%	6.27%	5.94%	5.36%	4.94%

**Computation of Direct and Overlapping Debt  
Governmental Activities Debt  
June 30, 2015**

	Outstanding Debt	Percent Applicable to County	Amount Applicable to County
<b>Direct</b>			
Carteret County (1)	\$ 50,955,393	100.00%	\$ 50,955,393
<b>Overlapping</b>			
Town of Emerald Isle (2)	3,534,306	100.00%	3,534,306
Town of Newport (2)	277,459	100.00%	277,459
Town of Pine Knoll Shores (2)	3,260,000	100.00%	3,260,000
Subtotal overlapping debt	<u>7,071,765</u>		<u>7,071,765</u>
Total direct and overlapping debt	<u>\$ 58,027,158</u>		<u>\$ 58,027,158</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)
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	2,888,870	42,214	8.48%	8,307
2014	69,092	*	*	6.50%	8,254
<b>2015</b>	<b>70,079</b>	*	*	<b>5.76%</b>	<b>8,445</b>

## 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	2015			2006		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Carteret County Public Schools	1,148	1	4.77%	1,418	1	4.33%
Carteret General Hospital	1,002	2	4.16%	842	2	2.57%
NC Department of Transportation	610	3	2.53%	-	-	-
Carteret County	547	4	2.27%	372	4	1.14%
Wal-Mart	408	5	1.70%	563	3	1.72%
US Coast Guard	370	6	1.54%	201	9	0.61%
Carteret Community College	368	7	1.53%	350	6	1.07%
Lowes Home Improvements	290	8	1.21%	-	-	-
Food Lion	235	9	0.98%	270	7	0.82%
Bally Refrigerated Boxes	184	10	0.76%	-	-	-
Atlantic Veneer	-	-	-	363	5	1.11%
Henry's Tackle & Sporting Goods	-	-	-	205	8	0.63%
NC Natural Resources and Community Development	-	-	-	173	10	0.53%

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			
	2006	2007	2008	2009
General government	61.30	63.60	66.10	66.10
Public safety	102.75	106.00	114.00	119.00
Transportation	2.00	2.00	2.00	2.00
Economic and physical development	17.00	17.00	19.50	18.50
Environmental protection	9.80	8.00	6.00	6.00
Human Services	154.15	162.60	167.80	171.80
Cultural and recreation	21.00	21.00	22.00	22.00
Water/Sewer (Business activity)	3.70	4.40	4.40	4.40
<b>Total</b>	<b>371.70</b>	<b>384.60</b>	<b>401.80</b>	<b>409.80</b>

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

2010	2011	2012	2013	2014	2015
66.40	66.60	62.85	57.85	59.80	<b>60.80</b>
114.30	141.00	130.00	135.00	137.00	<b>138.00</b>
2.00	2.00	2.00	3.00	3.00	<b>4.00</b>
17.00	17.00	17.00	14.00	13.87	<b>13.87</b>
7.00	7.00	7.00	7.00	6.50	<b>6.50</b>
169.58	169.91	169.33	169.33	168.33	<b>170.98</b>
20.92	21.49	20.07	19.07	20.07	<b>20.42</b>
4.40	4.40	4.15	4.15	4.83	<b>4.83</b>
<b>401.60</b>	<b>429.40</b>	<b>412.40</b>	<b>409.40</b>	<b>413.40</b>	<b>419.40</b>

**Carteret County, North Carolina**

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

Function	Fiscal Year		
	2009	2010	2011
<b>Sheriff:</b>			
Physical arrests	2,410	2,363	2,270
<b>Environmental Protection:</b>			
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
<b>Culture and recreation:</b>			
Park reservations	5,838	5,599	5,404
Senior center and community center admissions	84,315	104,501	93,504
<b>Public libraries:</b>			
Admissions	255,486	271,856	289,197
Electronic resources users	181,896	201,525	237,737
<b>Water:</b>			
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	<b>2015</b>
2,288	2,091	2,018	<b>1,659</b>
45.46	43.74	46.25	<b>45.23</b>
4.24	4.26	5.15	<b>3.90</b>
2.61	3.50	11.00	<b>48.00</b>
5,792	6,099	6,462	<b>7,888</b>
98,616	124,177	110,435	<b>103,007</b>
293,613	286,588	269,839	<b>269,184</b>
365,516	400,407	292,250	<b>332,243</b>
30	35	25	<b>18</b>
3	2	2	-
150	125	127	<b>117</b>

**Carteret County, North Carolina**

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

Function	Fiscal Year			
	2006	2007	2008	2009
Public safety:				
Sheriff				
Stations	1	1	1	1
Patrol Units	20	24	24	24
Environmental protection:				
Solid waste convenience sites	12	12	12	12
Culture and recreation:				
Park acreage	148	148	159	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)	48	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

2010	2011	2012	2013	2014	2015
1	1	1	1	1	1
24	24	24	24	24	24
12	12	12	12	12	12
159	159	163	163	163	163
7	7	9	9	9	9
5	5	14	14	14	14
2	2	3	3	3	3
4	4	5	5	5	5
48	51	51	51	51	51
600,000	600,000	600,000	600,000	600,000	600,000



# Compliance Section

## **Compliance Section**

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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.

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**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, 2015, 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, 2015. 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 and therefore, material weaknesses or significant deficiencies may exist that are not identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

## **Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

Morehead City, North Carolina  
December 15, 2015

**RSM US LLP, an Iowa limited liability partnership, is doing business as McGladrey LLP in the state of North Carolina and is a CPA firm registered with the North Carolina State Board of Certified Public Accountants under the name McGladrey LLP. Rules permitting the use of RSM US LLP have been published in the North Carolina Register and are pending final approval.**

**Independent Auditor's Report  
On Compliance for Each 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 Each Major Federal Program**

We have audited Carteret County, North Carolina's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Carteret County's major federal programs for the year ended June 30, 2015. Carteret County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Carteret County's basic financial statements include the operations of Carteret County Tourism Development Authority, Beaufort-Morehead City Airport Authority, Carteret County General Hospital Corporation and Carteret County Alcoholic Beverage Control (ABC) Board, all discretely presented component units of Carteret County. Our audit, 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 each of Carteret County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133 and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Carteret County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Carteret County's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Carteret County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program for the year ended June 30, 2015.

### **Report on Internal Control Over Compliance**

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

### **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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Morehead City, North Carolina  
December 15, 2015

**RSM US LLP, an Iowa limited liability partnership, is doing business as McGladrey LLP in the state of North Carolina and is a CPA firm registered with the North Carolina State Board of Certified Public Accountants under the name McGladrey LLP. Rules permitting the use of RSM US LLP have been published in the North Carolina Register and are pending final approval.**

**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, 2015. 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 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, 2015.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with applicable sections of section OMB Circular A-133 as described in the *Audit Manual for Governmental Auditors in North Carolina* and which are described in the accompanying schedule of findings and questioned costs as findings 2015-001 and 2015-002. Our opinion on each major State program is not modified with respect to this matter.

Carteret County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Carteret County's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

### **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 and therefore material weaknesses or significant deficiencies may exist that were not identified. However, we identified deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as findings 2015-001 and 2015-002 that we consider to be significant deficiencies.

Carteret County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Carteret County's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

## **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.

*McGladrey LLP*

Morehead City, North Carolina  
December 15, 2015

**RSM US LLP, an Iowa limited liability partnership, is doing business as McGladrey LLP in the state of North Carolina and is a CPA firm registered with the North Carolina State Board of Certified Public Accountants under the name McGladrey LLP. Rules permitting the use of RSM US LLP have been published in the North Carolina Register and are pending final approval.**

**Carteret County, North Carolina**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015**

**I - Summary of Auditor's Results**

Financial Statements

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

Federal Awards

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

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA</u>
Medical Assistance	93.778
Children's Health Insurance Program (CHIP)	93.767

Dollar threshold used to distinguish between type A and type B programs:	<u>    \$    1,774,046    </u>	
Auditee qualified as low-risk auditee?	<u>    X    </u> Yes	<u>          </u> No

(Continued)

**Carteret County, North Carolina**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2015**

**I - Summary of Auditor's Results (Continued)**

State Awards

Internal control over major State programs:

Material weakness(es) identified?	<u>        </u> Yes	<u>    X    </u> No
Significant deficiency(ies) identified?	<u>    X    </u> Yes	<u>        </u> 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?	<u>        </u> Yes	<u>    X    </u> No
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Identification of major State programs:

<u>Program Name</u>	<u>Grant Number</u>
	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
Children's Health Insurance Program (State Portion)	N/A

Carteret County, North Carolina

Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2015

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**II - Financial Statement Findings**

None reported.

**III - Findings and Questioned Costs for Federal Awards**

None reported.

**IV - Findings and Questioned Costs for State Awards**

**Department of Social Services (DSS)**  
**DSS Crosscutting Requirements - DSS-1571, Part II**  
**CFDA #: Not applicable**

**Finding 2015-001:**  
**Significant Deficiency and Noncompliance - DSS-1571, Part II - Charging of Costs - General**

**Criteria or specific requirement:** Equipment and vehicle purchases with a single unit cost over \$5,000 are required by the DSS Fiscal Manual, Section II and III to have written approval from the DHHS Office of Controller to be expensed or depreciated.

**Condition and Context:** Of the 12 items tested, we identified one expenditure for a new vehicle purchased for \$17,925, to be used by all agency personnel for official business in programs across all DSS areas, for which no required prior written approval was obtained as of the date of auditor's testing. This is the second occurrence of this error in two consecutive years.

**Effect:** Unapproved costs could be disallowed for reimbursement.

**Cause:** Lack of management oversight of known requirement.

**Questioned Costs:** None, as subsequent to identification of the error, the County requested and received retro-active approval for purchase.

**Recommendation:** We recommend the local DSS management review and adhere to its prescribed "charging of cost" procedures to ensure that pre-approval is requested and received prior to initiating purchases in excess of \$5,000.

**Views of responsible officials and planned corrective action:** The DSS has reassigned the responsibility for creating and sending the letter to the Controller's office regarding purchase of vehicles from DSS clerical to DSS financial staff, which will alleviate this problem going forward.

Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2015

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IV - Findings and Questioned Costs for State Awards (Continued)

Department of Social Services  
DSS Crosscutting Requirements - Special Tests & Provisions for Computer Equipment/Services  
CFDA #: Not applicable

**Finding 2015-002:**  
**Significant Deficiency and Noncompliance - Computer Equipment/Services Acquisitions**

**Criteria or specific requirement:** A Computer Equipment Acquisition Plan (CEAP) must be filed with the NC DHHS, Division of Social Services, for approval prior to acquisition of all computer equipment and services as required by DSS Administrative Letter.

**Condition and Context:** Of the 12 items tested, we identified one expenditure for multiple platform software licenses purchased for \$7,696, to be used by all agency personnel for official business in programs across all DSS areas, for which no required CEAP was submitted for written prior approval as of the date of auditor's testing.

**Effect:** Unapproved costs could be disallowed for reimbursement.

**Cause:** Lack of proper communication between County departments - Computer equipment/software and service acquisitions for the County's DSS were initiated and processed by the County IT Director without the local DSS's knowledge and consideration of the federal and state DSS crosscutting requirements that require a CEAP plan be submitted and approved prior to initiating computer equipment/software and service purchases. This is the second occurrence of this error in two consecutive years.

**Questioned Costs:** None, as subsequent to identification of the error, the County requested and received retro-active approval for purchase.

**Recommendation:** We recommend the local DSS agency review and adhere to its prescribed "Prior Approval Requirements for Computer Equipment and/or Services" procedures to ensure that a CEAP or ADP plan is submitted and approved prior to all computer-related acquisitions by increased communication between departments as well as reviewing the federal and state requirements with the County IT and Finance departments.

**Views of responsible officials and planned corrective action:** The DSS financial officer now has the responsibility/authority to review any and all IT-related purchases and coordinate with the County IT Director regarding those purchases and updating the agency's ADP/CEAP plans, and sending that updated plan to the appropriate state office.

**Carteret County, North Carolina**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2015**

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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, 2015**

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
<b>Federal Assistance</b>					
<b>US Department of Agriculture:</b>					
<b>Food and Nutrition Service</b>					
Passed through NC Department of Agriculture:					
Administered by County Finance Department					
Soil and water conservation					
	10.550		\$ 22,489	\$ -	\$ 24,093
			22,489	-	24,093
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		256,834	-	4,320
Benefit Payments - noncash					
	10.557		885,219	-	-
			1,142,053	-	4,320
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		364,012	-	364,012
Food Stamp Fraud Admin					
	10.561		30,844	-	30,844
Food Stamp County Incentive					
	10.561		-	202	-
<b>Total Food and Nutrition Services Cluster:</b>					
			394,856	202	394,856
<b>Total US Department of Agriculture</b>					
			1,559,398	202	423,269
<b>US Department of Commerce:</b>					
Passed through NC Department of Environment & Natural Resources					
Division of Water Quality					
Coastal Zone Management Awards-Minor Permit/County Aid					
	11.419		3,620	-	-
<b>US Department of Defense:</b>					
Office of Economic Adjustment					
Administered by County Planning & Inspections Department:					
Community Economic Adjustment Planning for Compatible Use & Joint Land Use Studies					
	12.610		146,791	-	-
<b>US Department of Interior:</b>					
Direct Program:					
Administered by County Finance Department:					
National Forest, Public Schools					
	15.225		44,884	-	-
<b>US Department of Transportation:</b>					
Passed through NC Department of Transportation:					
Administered by County CCATS Department:					
Rural Operating Assistance Including Elderly and Disabled:					
Administration Grant					
	20.509		208,938	13,058	39,176
Elderly Individuals and Individual with Disabilities					
	20.513		50,000	-	50,000
Job Access and Reverse Communitie (JARC)					
	20.516		100,000	-	100,000
<b>Total US Department of Transportation</b>					
			358,938	13,058	189,176

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)  
Year Ended June 30, 2015**

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
<b>US Department of Justice</b>					
<b>Bureau of Justice Assistance</b>					
Passed through NC Department of Public Safety					
Administered by Carteret County Sheriff Department					
Bulletproof Vest Partnership - 2010	16.607		\$ 2,586	\$ -	\$ 2,586
SCAAP - State Criminal Alien Assistance Program	16.606		2,230	-	-
Operation Pills Can Kill	16.738		43,753	-	14,584
			<u>48,569</u>	<u>-</u>	<u>17,170</u>
Administered by County Rape Crisis					
Basic SA Services	16.575		62,262	-	15,565
Bi-Lingual Victim Advocate/ Interpreter	16.575		15,578	-	3,895
			<u>77,840</u>	<u>-</u>	<u>19,460</u>
<b>Total US Department of Justice</b>			<u>126,409</u>	<u>-</u>	<u>36,630</u>
<b>US Department of Health and Human Services:</b>					
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	93.044		17,102	1,006	2,012
HCCBG Preventive Health	93.043		15,944	938	1,876
HCCBG - Access Title III B	93.044		32,608	1,918	3,836
HCCBG Congregate Nutrition Title III C1	93.045		80,826	4,754	9,509
HCCBG Home Delivered Meals Title III C2	93.045		19,287	1,135	2,269
NSIP-Nutrition	93.053		15,949	-	-
<b>Total Aging Cluster</b>			<u>181,716</u>	<u>9,751</u>	<u>19,502</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		44,793	1,280	5,119
Administration for Children and Families					
Passed through NC Department of Health and Human Services:					
Division of Social Services:					
Administered by Carteret County Department of Social Services:					
Temporary Assistance for Needy Families (TANF):					
TANF Benefit Payments & Penalties	93.558		287,132	-	236
Work First Administration	93.558		124,646	-	124,332
Work First Service	93.558		690,084	-	528,769
<b>Total TANF</b>			<u>1,101,862</u>	<u>-</u>	<u>653,337</u>
Family Preservation	93.556		16,145	-	-
AFDC Payments & Penalties	93.560		(611)	(167)	(167)

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)  
Year Ended June 30, 2015**

	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		\$ 491,035	\$ -	\$ 252,957
IV-D Offset Fees ESC	93.563		118	-	61
IV-D Offset Fees Federal	93.563		1,676	-	863
			<u>492,829</u>	<u>-</u>	<u>253,881</u>
Passed through NC Department of Health and Human Services:					
Administered by Carteret County Department of Social Services:					
Low Income Home Energy Assistance:					
Benefit payments	93.568		322,800	-	-
Administration	93.568		39,454	-	-
Crisis Intervention payments	93.568		151,993	-	-
			<u>514,247</u>	<u>-</u>	<u>-</u>
Passed through NC Department of Health and Human Services:					
Administered by Carteret County Department of Social Services:					
Division of Child Development					
Subsidized Child Care Cluster					
Child Care Development Fund Cluster					
Division of Social Services					
Child Care Development Fund-Administration	93.596		82,674	-	-
Division of Child Development					
Child Care & Development Fund-Discretionary	93.575		823,610	-	-
Child Care & Development Fund-Mandatory	93.596		295,891	-	-
Child Care & Development Fund-Match	93.596		116,274	14,307	-
Total Child Care Fund Cluster			<u>1,318,449</u>	<u>14,307</u>	<u>-</u>
Temporary Assistance for Needy Families	93.558		221,921	-	-
Foster Care Title IV-E	93.658		18,955	9,817	-
State Appropriations			-	161,952	-
TANF- MOE			-	38,353	-
<b>Total Subsidized Child Care Cluster</b>			<u>1,559,325</u>	<u>224,429</u>	<u>-</u>
Passed through NC Department of Health and Human Services:					
Division of Social Services:					
Administered by County Department of Social Services:					
Child Welfare Services:					
Permanency Planning:					
Special	93.645		10,443	-	3,481
Foster Care and Adoption Cluster:					
Title IV-E Foster Care:					
IV E CPS	93.658		44,146	50,661	21,472
IV-E Optional Adopt TRN 50%	93.659		5,461	-	5,461
IV-E Family Foster Care MAX	93.658		1,848	-	958
Foster Care payments	93.658		94,399	24,462	24,461
IV-E Foster Care /OFF TRN	93.658		160,970	-	160,970
IV-E Foster Care TRN	93.658		917	-	306
IV-E Foster Care in Excess	93.658		29,188	7,564	7,564
IV-E Admin County Paid to CCI	93.658		4,832	2,416	2,416
IV-E Adoption Training	93.659		-	-	-
IV-E Adoption / Off Trn	93.659		17,693	-	17,693
IV-E adoption subsidy and vendor	93.659		384,579	100,388	100,388
Foster Care	N/A		26,887	-	47,272
<b>Total Foster Care and Adoption Cluster</b>			<u>770,920</u>	<u>185,491</u>	<u>388,961</u>

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)  
Year Ended June 30, 2015**

	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:					
In-home services	93.667		\$ 7,912	\$ -	\$ 1,130
In-home Services over 60	93.667		-	-	-
In-home Services - SSBG other services	93.667		179,852	16,235	65,362
CPS TANF to SSBG	93.667		44,352	-	-
			<u>232,116</u>	<u>16,235</u>	<u>66,492</u>
Passed through NC Department of Health and Human Services:					
Administered by County Department of Social Services:					
Independent Living Transitional	93.674		3,303	-	-
Links	93.674		8,220	2,055	-
			<u>11,523</u>	<u>2,055</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					
Health Choice Claim Expenditures	93.767		1,006,936	316,895	-
Expansion	93.778		78,460	-	78,460
ADT CR HM CS Mgt/Spec	93.778		4,895	2,448	2,448
Benefit payments	93.778		49,239,271	27,045,479	(21,519)
Transportation Service	93.778		19,103	9,905	-
State County Special Assistance	93.778		19,607	-	6,464
Division of Social Services					
Administered by Carteret County DSS:					
Medical Assistance Administration	93.778		1,190,174	-	391,936
Transportation Administration	93.778		88,159	-	88,159
			<u>51,646,605</u>	<u>27,374,727</u>	<u>545,948</u>
Division of Social Services					
Administered by Carteret County DSS:					
State Children's Insurance Program - NC Health Choice	93.767		17,523	3,667	1,827
			<u>17,523</u>	<u>3,667</u>	<u>1,827</u>
Centers for Disease Control					
Passed through NC Department of Health and Human Services:					
Division of Public Health:					
Administered by Carteret County Health Department					
Preparedness (PHEP) Aligned Cooperative Agreements	93.074		37,148	-	31,799
Project Grants & Cooperative Agreements for Tuberculosis Control	93.116		28	-	-
Immunization Grants	93.268		14,333	-	-
Preventive Health & Human Services Block Grant funded solely with Prevention & Public Health Funds (PPHF)	93.758		20,546	-	-
Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919		16,222	-	-
HIV Prevention Activities Health Department Based	93.940		1,000	-	-
Preventive Health Services-Sexually Transmitted Diseases Control	93.977		217	-	-
Statewide Health Promotion Program	93.991		9,916	-	-
			<u>99,410</u>	<u>-</u>	<u>31,799</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		40,647	30,489	212,587
			<u>40,647</u>	<u>30,489</u>	<u>212,587</u>

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)  
Year Ended June 30, 2015**

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
Office of Population Affairs					
Passed through NC Department of Health and Human Services:					
Office of Population Affairs					
Family Planning Service	93.217		\$ 120,541	\$ -	\$ 84,508
Passed through NC Department of Insurance					
Administered by Carteret County Cooperative Extension					
Seniors' Health Insurance Information Program	93.779		3,405	-	-
<b>Total US Department of Health and Human Services</b>			<b>56,863,439</b>	<b>27,847,957</b>	<b>2,267,275</b>
<b>US Department of Housing &amp; Urban Development</b>					
Passed through NC Department of Commerce					
Division of Community Assistance					
Administered by Carteret County Planning Department					
2012 CDBG SSH Program	14.228		30,267	-	-
<b>Total US Department of Housing &amp; Urban Development</b>			<b>30,267</b>	<b>-</b>	<b>-</b>
<b>US Department of Homeland Security</b>					
Passed through NC Department of Public Safety					
Division of Emergency Management					
Administered by Carteret County Emergency Management Department					
Hazardous Materials Emergency Response Exercise	97.067		1,104	-	-
<b>Total US Department of Homeland Security</b>			<b>1,104</b>	<b>-</b>	<b>-</b>
<b>State Assistance</b>					
<b>NC Department of Health and Human Services:</b>					
Division of Social Services:					
Administered by County Department of Social Services:					
Energy Assistance, Private Grants			-	9,379	-
County Funded Programs			-	-	1,400,592
Non-Allocating County Cost			-	-	182,848
St Child Welfare/ CPS/ CS LD			-	45,476	-
DCD Smart Start			-	299	-
FS DOR Incentive			-	33	-
F/C At Risk Maximization			-	424	220
Work First Non Reimbursable			-	-	35,446
AFDC Incent / Prog Integrity			-	606	-
CWS Adopt Subsidy & Vendor			-	186,295	57,238
SC/SA Domiciliary Care payment			-	390,357	390,357
SFHF Maximization			-	54,998	54,998
State Foster Home			-	52,776	52,776
			-	740,643	2,174,475

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)  
Year Ended June 30, 2015**

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
Division of Aging and Adult Services:					
Passed through Eastern Carolina Council of Government					
Administered by the County Department of Social Services					
In-house Services 90% State Funds:					
Senior Center :					
HCCBG - Access			\$ -	\$ 16,115	\$ 1,791
HCCBG - In Home Support			-	191,609	21,290
HCCBG - Home Delivered Meals			-	20,583	2,287
			-	228,307	25,368
Division of Public Health					
Administered by the County Health Department					
Other Receipts/ State Supported Expenditures					
Food and Lodging Fees			-	8,144	-
Environmental Health			-	4,000	1,108,646
Mosquito-Public Health Pesticide			-	4,954	-
General Aid to County			-	80,139	1,212,991
Communicable Disease			-	1,756	131,480
Risk Reduction/ Health Promotion			-	1,445	-
Breast and Cervical Cancer Program			-	6,375	-
Child Health			-	1,841	-
Maternal Health (HMHC)			-	4,024	-
Women's Health Service Fund			-	3,496	-
HIV/STD State			-	400	-
HIV/STD SSBG Aid			-	100	-
Sexually Transmitted Diseases			-	358	-
Tuberculosis			-	10,964	-
TB Medical Service			-	1,529	-
School Nurse Funding Initiative			-	50,000	-
			-	179,525	2,453,117
<b>Total NC Department of Health and Human Services</b>			-	1,148,475	4,652,960
<b>NC Department of Environment and Natural Resources:</b>					
Natural Resources Division:					
Passed through County Finance Office:					
White Goods Disposal			-	22,038	-
Scrap Tire Disposal			-	87,498	-
<b>Total NC Department of Environment and Natural Resources</b>			-	109,536	-

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)  
Year Ended June 30, 2015**

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
<b>NC Department of Public Safety:</b>					
Division of Emergency Management					
Administered by the County Emergency Services Department					
Emergency Management Performance Grant			\$ -	\$ 37,258	\$ 37,258
Administered by County Finance Department:					
Services for Court Referrals					
Boys and Girls Club program			-	56,711	-
Easter Seals Home Based Services - Building Bridges			-	44,672	-
Juvenile Crime Prevention			-	4,372	135
Teen Court			-	49,996	-
			-	155,751	135
<b>    Total NC Department of Public Safety</b>			-	<b>193,009</b>	<b>37,393</b>
<b>NC Department of Administration:</b>					
Division of Veterans Affairs:					
Other:					
Sexual Assault Grant Rape Crisis			-	50,115	10,023
<b>    Total NC Department of Administration</b>			-	<b>50,115</b>	<b>10,023</b>
<b>NC Department of Public Instruction:</b>					
Public School Building Capital Fund					
Administered by the County Finance Department					
Lottery Proceeds Allocation			-	700,000	-
<b>NC Department of Transportation</b>					
Administered by the Carteret County Transportation Department					
DOT ROAP RGP Grant		DOT-16CL	-	73,222	8,136
DOT ROAP Employment Grant		DOT-16CL	-	22,733	2,526
DOT Elderly and Disabled		DOT-16CL		71,112	7,901
<b>    Total NC Department of Transportation</b>			-	<b>167,067</b>	<b>18,563</b>
<b>Total Federal Expenditures</b>			<b>\$ 59,134,850</b>		
<b>Total State Expenditures</b>				<b>\$ 30,229,419</b>	
<b>Total Local Expenditures</b>					<b>\$ 7,635,289</b>

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, 2015**

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**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 \$12,475,949 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 13 to the financial statements) 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, 2015 was \$1,788,256 and the outstanding balance of the USDA Water Revenue Bond at June 30, 2015 was \$1,030,000.

**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.