

# CARTERET COUNTY NORTH CAROLINA



Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2016

CARTERET COUNTY  
NORTH CAROLINA

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2016

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

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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 16, 2016

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, 2016.

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 RSM 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, 2016 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, 2016, 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 5.67% for the County compared to 5.76% in the prior year, and those rates are slightly higher than the state’s average unemployment rate of 5.49%. The tourism industry continues to perform well with an average annual economic impact of \$336.92 million, a 3.76% 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 2016, the Morehead City Port's total tonnage was 1,737,205, 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.

The following table lists the 10 largest employers in the County in 2016:

<b>Employer</b>	<b>Service</b>	<b>Employment Range</b>
Carteret County Public Schools	Education	1000+
Carteret General Hospital	Health Services	500-999
Carteret County	Government Service	500-999
Wal-Mart Associates Inc	Retail	250-499
Carteret Community College	Education	250-499
Lowes Home Improvements	Retail	250-499
Food Lion	Retail	250-499
Big Rock Sports LLC	Retail	250-499
McDonalds	Leisure & Hospitality	100-249
Lowes Food Stores Inc	Retail	100-249

Source: NC Commerce LEAD Division  
2016 Employees are full time

## **Long-Term Financial Planning**

The County's total operating budget for the fiscal year ending June 30, 2017 totals \$106,344,765 with a General Fund tax rate of \$.31 per \$100 of assessed value, based on a total valuation of \$14.49 billion. The County's assessed value represents approximately 1.01% increase from the assessed value used in the June 30, 2016 budget. The increase due to modest construction in the County. The County anticipates slight growth in its tax base going forward. For the County's operating budget for the fiscal year June 30, 2018, it is anticipated that the tax rate would need to be between \$.31 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 2017. 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 has appropriated funding, engaged architect services for a new General Services building that will house public works, public buildings, and the transportation departments. Two of these department are located in building that are over 40 years old. Furthermore, the Board will begin reviewing and evaluating other needs in the plan; however, no formal action has been taken at this time. If the other recommendations in the plan are implemented over time, the County anticipates funding the plan with a combination of long term debt and pay as you go. In addition to the facilities master plan, 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 2017 budget to improve public safety. The fiscal year 2017 budget funds equipment and expands staffing levels.

In fiscal year 2013, the County completed its \$3.51 million water system improvement project. In fiscal year 2017, 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, 2015. 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, 2016. 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 RSM LLP without whose dedicated assistance this report could not have been produced. Gratitude goes to the Board of Commissioners for their continued interest and support throughout the past year.

Sincerely,

A handwritten signature in cursive script, appearing to read "Dee H. Meshaw".

Dee H. Meshaw  
Assistant County Manager Finance

# CARTERET COUNTY, NORTH CAROLINA

## LIST OF PRINCIPAL OFFICIALS JUNE 30, 2016

### BOARD OF COMMISSIONERS

ROBIN COMER  
Chairman  
Stella, North Carolina

MARK MANSFIELD  
Vice Chairman  
Morehead City, North Carolina

ELAINE CRITTENTON  
Mill Creek, North Carolina

JIMMY FARRINGTON  
Emerald Isle, North Carolina

TERRY FRANK  
Morehead City, North Carolina

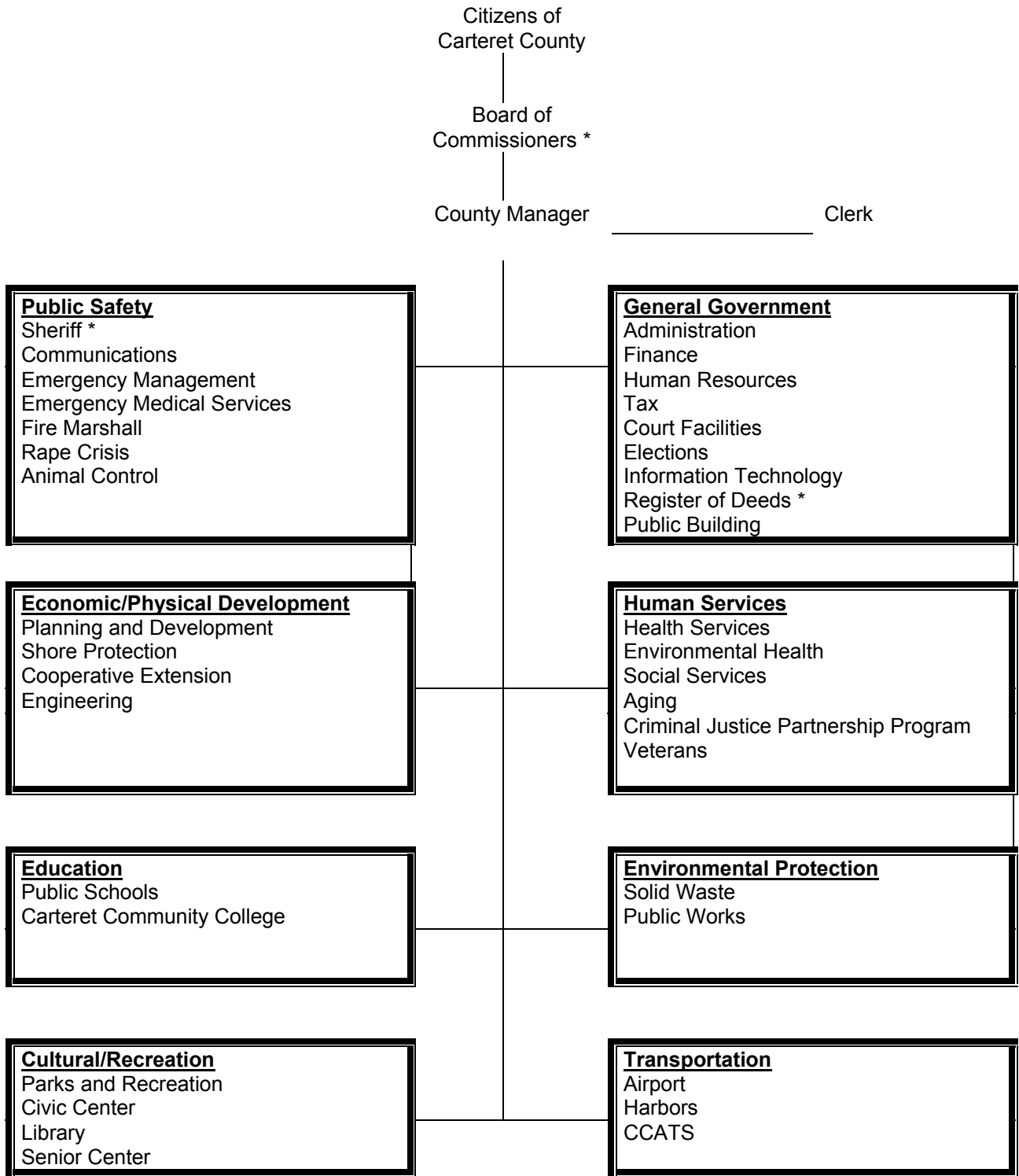
JONATHAN ROBINSON  
Atlantic, North Carolina

BILL SMITH  
Newport, North Carolina

### COUNTY OFFICIALS

W. Russell Overman	County Manager
Dee H. Meshaw	Assistant County Manager Finance Director
Chris Turner	Assistant County Manager, Human Resources Director
Asa Buck III	Sheriff
Jerry Hardesty	Register of Deeds
David Atkinson	Human Services Director
Eugene Foxworth	General Services and Planning 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**



<b><u>Carteret County</u></b>	
Population	69,706
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, 2015**

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, 2016, 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 collectively represent 100% of the assets, net position and revenues of the aggregate discretely presented component units of the County. Those financial 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 County 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 ABC Board and Carteret County General Hospital Corporation were not audited in accordance with *Government Auditing Standards*.

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

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

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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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Carteret County, North Carolina as of June 30, 2016, 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.

## **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, 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 (Liability) 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 101 through 107 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 Supplemental Financial Data" and the introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The "Other Supplemental Financial Data" 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. 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 supplemental financial data are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and statistical section of the Comprehensive Annual Financial Report have 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 them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2016, 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.

*RSM US LLP*

Morehead City, North Carolina  
December 16, 2016



# Management Discussion and Analysis

## Carteret County, North Carolina

### Management's Discussion and Analysis (Unaudited) June 30, 2016

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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, 2016. 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

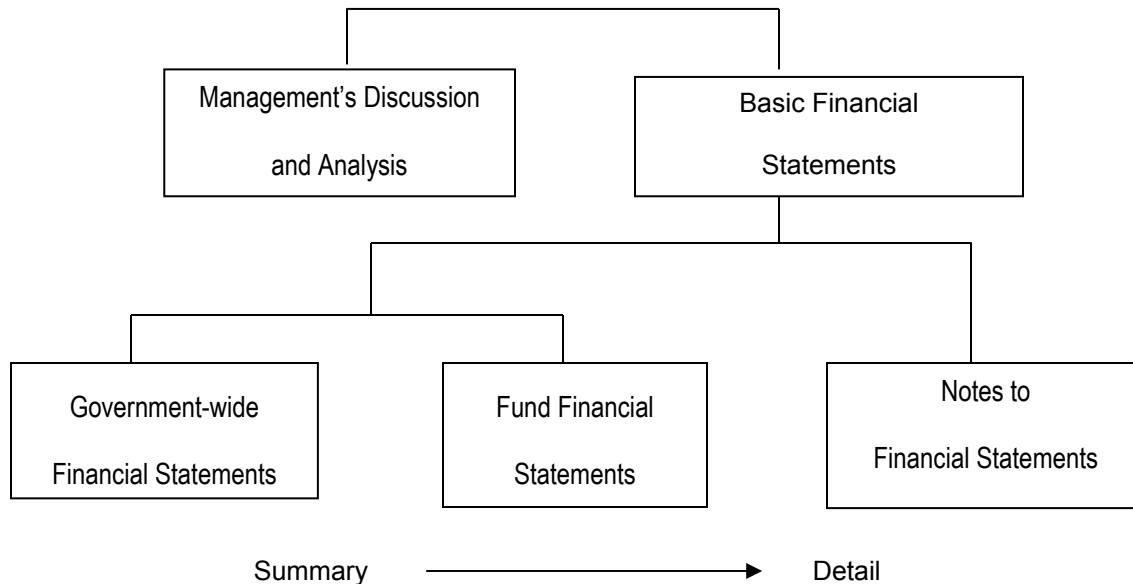
- The assets and deferred outflows of resources of Carteret County (primary government) were greater than its liabilities and deferred inflows of resources at the close of the fiscal year by \$51,499,532 (*net position*).
- The government's total net position increased by \$7,793,044, due to revenues such as sales taxes and charges for services exceeded projections, and expenses were less than projected.
- As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$68,901,732, after a net increase in fund balance of \$5,229,241. Approximately 61.33 percent of this total amount or \$42,256,066 is restricted, committed or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$27,941,462 or 36.40 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 \$354,311. The County issued \$4.6 million of general obligation bonds, and the County retired debt principal that resulted in a net decrease in long term debt.
- The County maintained its AA+ (Standard & Poor's and Fitch Ratings) and Aa1 (Moody's Investor Services) for the fifth 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, 2016

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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 - 97 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 101 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 \$51,499,532 as of June 30, 2016. The County's net position increased by \$7,793,044 for the fiscal year ended June 30, 2016. Net position is reported in three categories: net investment in capital assets of \$28,990,236, restricted net position of \$31,480,559, and unrestricted net position (deficit) of (\$8,971,263).

## Carteret County, North Carolina

### Management's Discussion and Analysis (Unaudited) June 30, 2016

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, 2016, the unrestricted net position of governmental activities reported a deficit of \$8,971,263. Of the County's net position, \$31,480,559 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 \$45.54 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	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 78,318,769	\$ 74,572,630	\$ 1,067,783	\$ 993,558	\$ 79,386,552	\$ 75,566,188
Capital assets	24,689,921	23,536,938	7,531,539	7,951,980	32,221,460	31,488,918
<b>Total assets</b>	<b>103,008,690</b>	<b>98,109,568</b>	<b>8,599,322</b>	<b>8,945,538</b>	<b>111,608,012</b>	<b>107,055,106</b>
<b>Total deferred outflows of resources</b>	<b>3,795,081</b>	<b>4,005,032</b>	<b>14,494</b>	<b>15,296</b>	<b>3,809,575</b>	<b>4,020,328</b>
Long-term liabilities						
outstanding	55,458,216	55,638,919	2,656,871	2,830,479	58,115,087	58,469,398
Other liabilities	5,001,164	5,023,589	141,899	136,267	5,143,063	5,159,856
<b>Total liabilities</b>	<b>60,459,380</b>	<b>60,662,508</b>	<b>2,798,770</b>	<b>2,966,746</b>	<b>63,258,150</b>	<b>63,629,254</b>
<b>Total deferred inflows of resources</b>	<b>653,317</b>	<b>3,695,385</b>	<b>6,588</b>	<b>44,307</b>	<b>659,905</b>	<b>3,739,692</b>
Net position:						
Net investment in capital assets	24,089,921	22,736,938	4,900,315	5,133,724	28,990,236	27,870,662
Restricted	31,480,559	23,967,802	-	-	31,480,559	23,967,802
Unrestricted (deficit)	(9,879,406)	(8,948,033)	908,143	816,057	(8,971,263)	(8,131,976)
<b>Total net position</b>	<b>\$ 45,691,074</b>	<b>\$ 37,756,707</b>	<b>\$ 5,808,458</b>	<b>\$ 5,949,781</b>	<b>\$ 51,499,532</b>	<b>\$ 43,706,488</b>

**Management's Discussion and Analysis (Unaudited)  
June 30, 2016**

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**Governmental activities:** Governmental activities increased the County's net position by \$7,934,367 from fiscal year 2016. Key elements of this increase are as follows:

- Decreases in property tax revenue were approximately \$2.69 million due to Board of Commissioners setting an ad valorem tax rate less than revenue neutral for the General Fund.
- Increases in other taxes were approximately \$915,000 from the prior fiscal year. This was due to approximately \$629,000 increase in sales taxes and \$286,000 in occupancy tax revenue growth.
- Increases in charges for services were approximately \$1.46 million from the previous year. Most of the increase was due to the Tax Department performing a thorough review of solid waste billing charges that resulted in approximately \$900,000 additional revenue. Other increases were due to growth.
- Overall, expenses increased approximately \$1.41 million from the previous year. There was little changes in expenses from the previous year throughout the governmental activities.
- Many expense categories were less than projected, such as general government, public safety, transportation, economic and physical development, human services, cultural and recreation, as well as contingency that resulted in an increase in net position.

**Business-type activities:** Business-type activities decreased net position by \$141,323. Even though revenues were greater than projected, and expenses were less than projected, net position decreased for fiscal year ending June 30, 2016. 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, 2016**

**The County's Changes in Net Position**

**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 7,102,136	\$ 5,642,618	\$ 576,598	\$ 576,057	\$ 7,678,734	\$ 6,218,675
Operating grants and contributions	13,635,760	13,887,716	-	-	13,635,760	13,887,716
Capital grants and contributions	390,709	-	-	-	390,709	-
General revenues:						
Property taxes	49,616,653	52,302,979	-	-	49,616,653	52,302,979
Other taxes	22,191,379	21,276,634	-	-	22,191,379	21,276,634
Other	1,649,618	1,929,563	3,647	3,363	1,653,265	1,932,926
<b>Total revenues</b>	<b>94,586,255</b>	<b>95,039,510</b>	<b>580,245</b>	<b>579,420</b>	<b>95,166,500</b>	<b>95,618,930</b>
<b>Expenses:</b>						
General government	7,278,369	6,949,982	-	-	7,278,369	6,949,982
Public safety	18,561,573	19,162,990	-	-	18,561,573	19,162,990
Transportation	1,066,561	1,442,425	-	-	1,066,561	1,442,425
Economic and physical development	7,064,127	5,538,785	-	-	7,064,127	5,538,785
Environmental protection	2,060,267	3,417,029	-	-	2,060,267	3,417,029
Human services	16,754,822	15,635,355	-	-	16,754,822	15,635,355
Cultural and recreation	4,452,951	3,711,166	-	-	4,452,951	3,711,166
Education	27,494,565	27,466,650	-	-	27,494,565	27,466,650
Interest on long-term debt	1,594,653	1,596,808	-	-	1,594,653	1,596,808
Water	-	-	1,045,568	983,971	1,045,568	983,971
<b>Total expenses</b>	<b>86,327,888</b>	<b>84,921,190</b>	<b>1,045,568</b>	<b>983,971</b>	<b>87,373,456</b>	<b>85,905,161</b>
<b>Increase (decrease) in net position before transfers</b>	<b>8,258,367</b>	<b>10,118,320</b>	<b>(465,323)</b>	<b>(404,551)</b>	<b>7,793,044</b>	<b>9,713,769</b>
Transfers	(324,000)	(324,000)	324,000	324,000	-	-
<b>Increase (decrease) in net position</b>	<b>7,934,367</b>	<b>9,794,320</b>	<b>(141,323)</b>	<b>(80,551)</b>	<b>7,793,044</b>	<b>9,713,769</b>
Net position, beginning, previously reported	37,756,707	29,616,850	5,949,781	6,053,464	43,706,488	35,670,314
Restatement - accounting change	-	(1,654,463)	-	(23,132)	-	(1,677,595)
Net position, July 1, restated	37,756,707	27,962,387	5,949,781	6,030,332	43,706,488	33,992,719
Net position, June 30	\$ 45,691,074	\$ 37,756,707	\$ 5,808,458	\$ 5,949,781	\$ 51,499,532	\$ 43,706,488

**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.

## **Carteret County, North Carolina**

### **Management's Discussion and Analysis (Unaudited) June 30, 2016**

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The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance in the General Fund was \$27,941,462, while total fund balance reached \$53,810,941. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The County currently has an unassigned fund balance of 36.40 percent of general fund expenditures, while total fund balance represents 70.09 percent of that same amount. The County's unassigned fund balance decreased \$2,703,108 due to transferring fund balance to capital funds for public schools, community college, and county capital improvement projects. Revenues and other sources exceeded expenditures and other uses by approximately \$38,600. Revenues exceeded budgeted amounts by approximately \$2.27 million, with most of the amount derived from sales taxes, sales and services, and property taxes. In addition to revenues exceeding the budget, many function level expenditures were less than the budget amount by approximately \$3.94 million. Human services, economic development, public safety, and general government functions had the greatest amounts coming in under budget.

At June 30, 2016, the governmental funds of the County reported a combined fund balance of \$68,901,732, an 8.21 percent increase from last year. The primary reason for this increase is due to the increases in restricted fund balances such as restricted for beach nourishment in the General Fund, and for general obligation bond proceeds for school projects not spent as of June 30, 2016.

#### **General Fund Budgetary Highlights**

During fiscal year 2016, the County's financial picture was good. Revenues were more than budgeted by a net amount of \$2,269,823. Ad valorem taxes, sales and services, and sales taxes revenues were \$2,076,243 greater than budgeted. In addition, fees and miscellaneous exceeded the budget amounts by \$392,624. However, this revenue is partially offset by intergovernmental and investment revenue sources that were less than budgeted. Through conservative management and prioritizing our expenditures and capital outlay, the County finished the year in sound financial condition.

The County revised the budget on several occasions. Generally, budget amendments fall into one of four categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; 3) increases in appropriations that become necessary to maintain services; and 4) to increase debt service for refunding existing debt. Total amendments to the General Fund increased estimated revenues by \$505,353 and expenditure appropriations by \$1,364,711. 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 \$3.94 million, and most of the savings were in the human services programs of \$1.55 million, economic and physical development programs of \$.78 million, as well as \$1.61 million in general government, public safety, transportation, environmental protection, debt service, and culture and recreation.

**Carteret County, North Carolina**

**Management's Discussion and Analysis (Unaudited)  
June 30, 2016**

**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 \$908,143. 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 2016, \$324,000 was transferred from the water taxing district, the same amount as fiscal year 2015.

**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, 2016, totals \$32,221,460 (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 land for future growth
- Parks and beach accesses improvements
- Purchase of vehicles in departments including six Sheriff Department vehicles
- Technology equipment
- Construction in progress was design services for the County general services / public works facility.

**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	
	2016	2015	2016	2015	2016	2015
Land	\$ 6,213,799	\$ 5,619,728	\$ 222,608	\$ 222,608	\$ 6,436,407	\$ 5,842,336
Buildings	8,767,343	9,401,124	1,224,464	1,295,106	9,991,807	10,696,230
Water lines	-	-	6,040,309	6,366,886	6,040,309	6,366,886
Vehicles	1,213,079	928,900	10,666	15,238	1,223,745	944,138
Equipment	960,410	888,598	33,492	52,142	993,902	940,740
Other improvements	5,555,186	4,746,570	-	-	5,555,186	4,746,570
Leasehold improvements	1,822,497	1,952,018	-	-	1,822,497	1,952,018
Construction in progress	157,607	-	-	-	157,607	-
<b>Total</b>	<b>\$ 24,689,921</b>	<b>\$ 23,536,938</b>	<b>\$ 7,531,539</b>	<b>\$ 7,951,980</b>	<b>\$ 32,221,460</b>	<b>\$ 31,488,918</b>

**Carteret County, North Carolina**

**Management's Discussion and Analysis (Unaudited)  
June 30, 2016**

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

**Long-Term Debt.** As of June 30, 2016, the County had total general obligation bonded debt outstanding of \$33,820,000, all of which is debt backed by the full faith and credit of the County. All other debt is covered by pledged collateral and is subject to appropriation. A summary of total long-term debt is shown in Figure 5.

**Figure 5**

	Carteret County's Outstanding Debt					
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 33,820,000	\$ 33,475,000	\$ -	\$ -	\$ 33,820,000	\$ 33,475,000
Certificate of participation	2,630,000	3,090,000	-	-	2,630,000	3,090,000
Revenue bond	-	-	1,014,000	1,030,000	1,014,000	1,030,000
Bond premiums	2,768,620	2,680,697	-	-	2,768,620	2,680,697
Installment note payable	10,031,656	11,709,696	1,617,224	1,788,256	11,648,880	13,497,952
Compensated absences	1,336,038	1,331,590	12,981	12,223	1,349,019	1,343,813
Net pension liability (LGERS)	1,149,396	-	12,666	-	1,162,062	-
Special separation allowance	-	-	-	-	-	-
pension obligations	527,281	452,870	-	-	527,281	452,870
Net OPEB obligation	3,195,225	2,899,066	-	-	3,195,225	2,899,066
<b>Total long-term debt</b>	<b>\$ 55,458,216</b>	<b>\$ 55,638,919</b>	<b>\$ 2,656,871</b>	<b>\$ 2,830,479</b>	<b>\$ 58,115,087</b>	<b>\$ 58,469,398</b>

The County's total debt decreased \$354,311 during the past fiscal year. The decrease is due to retiring debt principal. Also, the County issued \$4.6 million general obligation bonds for public school construction and building improvements.

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, 2016, for the County is \$1,110,661,857.

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, 2016, the unemployment rate for the County averaged 5.67%, compared to the 5.76% for fiscal year 2015. These rates are slightly higher than the state's average unemployment rate of 5.49% for fiscal year 2016. 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 a one cent tax increase in the fiscal year ending June 30, 2017. The County adopted an ad valorem tax rate of \$.31 cents per \$100 assessed value in fiscal year 2017. The Board of Commissioners increase School local operating funding, and thus the tax increase was levied.

**Budget Highlights for the Fiscal Year Ending June 30, 2017**

**Governmental Activities:** The County has approved an \$87.11 million general fund budget for fiscal year 2017, which represents a \$2.36 million or 2.64% decrease from fiscal year 2016 budget. The net decrease in the budget is primarily due to \$1.61 million increase in education funding and \$3.16 decrease in transfers to other funds. In fiscal year 2015, the County transferred \$6.17 million from the General Fund for pay as you go capital projects that included two new building projects; general services building and a portion of matching funds for a Community College project. The remaining \$.81 million net decrease is due to decreases primarily in general government and economic development that are offset by some increases in public safety.

In the budget, the County's Board of Commissioners increased the General Fund ad valorem property tax rate per \$100 assessed valuation one cent to 31 cents. As discussed earlier, the increase was levied to provide increased local funding for school operations. Current year tax revenues are projected to generate \$44.36 million. Due to growth in sales tax revenue, the County budgeted a modest 2.0% increase that generates approximately \$300,000 additional revenue. All revenues are budgeted conservatively, and sales and services and fees are budgeted with small growth from the previous fiscal year. The fiscal year 2017 General Fund budgets approximately \$3.78 million fund balance appropriation. This amount of fund balance is primarily due to funding public school and community college 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 \$25,168,000 or 23.67% of the fiscal year 2017 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 FY17, the Water Fund adopted budget is \$958,000 for operations, debt service and equipment. The adopted budget increased maintenance funding to address some deferred maintenance needs of the system. FY17 annual debt service is approximately \$260,580.

**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, Finance, 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, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 7,554,875	\$ 964,973	\$ 8,519,848
Investments	49,928,955	-	49,928,955
Receivables (net)	12,303,270	58,878	12,362,148
Due from component unit	164,228	-	164,228
Inventories	-	-	-
Prepaid items	-	-	-
Restricted assets:			
Cash and cash equivalents	2,364,949	43,932	2,408,881
Investments	5,749,599	-	5,749,599
Net pension asset	252,893	-	252,893
Other assets	-	-	-
Capital assets:			
Land, improvements, and construction in progress	6,371,406	222,608	6,594,014
Other capital assets, net of depreciation	18,318,515	7,308,931	25,627,446
<b>Total capital assets</b>	<b>24,689,921</b>	<b>7,531,539</b>	<b>32,221,460</b>
<b>Total assets</b>	<b>103,008,690</b>	<b>8,599,322</b>	<b>111,608,012</b>
<b>Deferred Outflows of Resources</b>	<b>3,795,081</b>	<b>14,494</b>	<b>3,809,575</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	4,550,433	36,436	4,586,869
Accrued interest payable	450,731	9,408	460,139
Customer deposits	-	96,055	96,055
Due to primary government	-	-	-
Long-term liabilities:			
Net pension liability	1,149,396	12,666	1,162,062
Due within one year	7,384,354	194,954	7,579,308
Due in more than one year	46,924,466	2,449,251	49,373,717
<b>Total long-term liabilities</b>	<b>55,458,216</b>	<b>2,656,871</b>	<b>58,115,087</b>
<b>Total liabilities</b>	<b>60,459,380</b>	<b>2,798,770</b>	<b>63,258,150</b>
<b>Deferred Inflows of Resources</b>	<b>653,317</b>	<b>6,588</b>	<b>659,905</b>
<b>Net Position</b>			
Net investment in capital assets	24,089,921	4,900,315	28,990,236
Restricted for:			
Public Safety	4,494,846	-	4,494,846
Economic Development	15,099,532	-	15,099,532
Cultural and Recreation	104,081	-	104,081
Register of Deeds	297,572	-	297,572
Human Services	364,036	-	364,036
Education	4,512,122	-	4,512,122
Stabilization by State Statute	6,608,370	-	6,608,370
Other purposes	-	-	-
Unrestricted (deficit)	(9,879,406)	908,143	(8,971,263)
<b>Total net position</b>	<b>\$ 45,691,074</b>	<b>\$ 5,808,458</b>	<b>\$ 51,499,532</b>

See Notes to Financial Statements.

Component Units				
Beaufort- Morehead City Airport Authority	Carteret County Tourism Development Authority	Carteret County General Hospital Corporation	Carteret County ABC Board	
\$ 880,694	\$ 389,206	\$ 92,346,515	\$ 1,479,380	
-	-	-	-	
2,550	1,200,249	27,363,505	-	
-	-	-	-	
-	-	3,164,413	1,498,308	
2,538	-	2,579,742	35,883	
-	-	3,647,962	-	
-	-	-	-	
-	-	-	-	
-	-	1,533,291	-	
2,287,174	-	5,191,677	1,149,703	
7,998,747	348,846	76,405,682	2,127,598	
10,285,921	348,846	81,597,359	3,277,301	
11,171,703	1,938,301	212,232,787	6,290,872	
-	-	-	58,487	
4,228	257,861	20,966,696	1,619,057	
-	-	-	-	
-	-	-	-	
-	-	-	164,228	
-	-	-	38,147	
-	32,271	611,619	182,183	
-	235,925	561,157	611,642	
-	268,196	1,172,776	831,972	
4,228	526,057	22,139,472	2,615,257	
-	-	9,842,381	19,827	
10,285,921	96,063	80,424,583	2,483,476	
-	-	-	88,051	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
221,631	1,200,249	-	-	
-	115,932	3,306,589	392,340	
659,923	-	96,519,762	750,408	
\$ 11,167,475	\$ 1,412,244	\$ 180,250,934	\$ 3,714,275	

Carteret County, North Carolina

Statement of Activities  
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 7,278,369	\$ 1,768,252	\$ -	\$ -
Public safety	18,561,573	290,455	1,187,152	-
Transportation	1,066,561	135,956	778,800	222,389
Economic and physical development	7,064,127	646,629	95,577	-
Environmental protection	2,060,267	3,299,900	295,188	-
Human services	16,754,822	642,414	10,372,796	-
Cultural and recreation	4,452,951	318,530	-	168,320
Education	27,494,565	-	40,695	-
Interest on long-term debt	1,594,653	-	865,552	-
<b>Total governmental activities</b>	<b>86,327,888</b>	<b>7,102,136</b>	<b>13,635,760</b>	<b>390,709</b>
Business-type activities:				
Water	1,045,568	576,598	-	-
<b>Total primary government</b>	<b>\$ 87,373,456</b>	<b>\$ 7,678,734</b>	<b>\$ 13,635,760</b>	<b>\$ 390,709</b>
Component units:				
Airport Authority	\$ 527,805	\$ 172,374	\$ 67,290	\$ 108,081
Tourism Development Authority	3,653,757	3,434,100	142,857	-
Hospital	128,424,551	144,323,570	232,282	418,607
ABC Board	10,031,067	10,200,855	-	-
<b>Total component units</b>	<b>\$ 142,637,180</b>	<b>\$ 158,130,899</b>	<b>\$ 442,429</b>	<b>\$ 526,688</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				
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
\$ (5,510,117)	\$ -	\$ (5,510,117)				
(17,083,966)	-	(17,083,966)				
70,584	-	70,584				
(6,321,921)	-	(6,321,921)				
1,534,821	-	1,534,821				
(5,739,612)	-	(5,739,612)				
(3,966,101)	-	(3,966,101)				
(27,453,870)	-	(27,453,870)				
(729,101)	-	(729,101)				
(65,199,283)	-	(65,199,283)				
-	(468,970)	(468,970)				
(65,199,283)	(468,970)	(65,668,253)				
			\$ (180,060)	\$ -	\$ -	\$ -
			-	(76,800)	-	-
			-	-	16,549,908	-
			-	-	-	169,788
			(180,060)	(76,800)	16,549,908	169,788
49,616,653	-	49,616,653	-	-	-	-
15,429,458	-	15,429,458	-	-	-	-
6,761,921	-	6,761,921	-	-	-	-
1,073,420	-	1,073,420	-	-	-	26,719
269,450	3,647	273,097	3,378	1,389	146,352	-
306,748	-	306,748	-	2,557	-	-
73,457,650	3,647	73,461,297	3,378	3,946	146,352	26,719
(324,000)	324,000	-	-	-	-	-
73,133,650	327,647	73,461,297	3,378	3,946	146,352	26,719
7,934,367	(141,323)	7,793,044	(176,682)	(72,854)	16,696,260	196,507
37,756,707	5,949,781	43,706,488	11,344,157	1,485,098	163,554,674	3,517,768
\$ 45,691,074	\$ 5,808,458	\$ 51,499,532	\$ 11,167,475	\$ 1,412,244	\$ 180,250,934	\$ 3,714,275

Carteret County, North Carolina

**Balance Sheet - Governmental Funds  
June 30, 2016**

	Governmental Fund Types			
	Major Fund		Total	Total
	General	Occupancy Tax Fund	Non-Major Funds	Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 49,373,231	\$ -	\$ 8,110,598	\$ 57,483,829
Receivables, net	8,891,122	1,300,522	1,167,687	11,359,331
Restricted cash and investments	1,233,342	-	6,881,207	8,114,549
Due from other funds	624,832	-	-	624,832
Due from component units	164,228	-	-	164,228
<b>Total assets</b>	<b>\$ 60,286,755</b>	<b>\$ 1,300,522</b>	<b>\$ 16,159,492</b>	<b>\$ 77,746,769</b>
<b>Liabilities, Deferred Inflows and Fund Balances</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 3,404,002	\$ 701,231	\$ 445,200	\$ 4,550,433
Due to other funds	-	594,565	30,267	624,832
<b>Total liabilities</b>	<b>3,404,002</b>	<b>1,295,796</b>	<b>475,467</b>	<b>5,175,265</b>
Deferred Inflows of Resources	3,071,812	-	597,960	3,669,772
Fund balances:				
Restricted:				
Register of Deeds	297,572	-	-	297,572
Recreation Districts	104,081	-	-	104,081
Beach Nourishment	13,083,623	-	-	13,083,623
Stabilization by State Statute	6,608,370	-	-	6,608,370
Sheriff's fund	508,301	-	-	508,301
Health programs	364,036	-	-	364,036
Public safety	-	-	1,238,771	1,238,771
Rescue protection	-	-	927,601	927,601
Fire protection	-	-	1,261,069	1,261,069
Economic development	1,128,496	1,300,522	277,622	2,706,640
School capital	-	-	4,512,122	4,512,122
Committed:				
Taylor Extended Care	-	-	267,038	267,038
School capital	-	-	1,157,070	1,157,070
Community College capital	-	-	750,000	750,000
Assigned:				
Subsequent year's expenditures	3,775,000	-	1,113,105	4,888,105
County capital	-	-	3,581,667	3,581,667
Unassigned	27,941,462	(1,295,796)	-	26,645,666
<b>Total fund balances</b>	<b>53,810,941</b>	<b>4,726</b>	<b>15,086,065</b>	<b>68,901,732</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 60,286,755</b>	<b>\$ 1,300,522</b>	<b>\$ 16,159,492</b>	<b>\$ 77,746,769</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, 2016**

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

Total fund balances for governmental funds	<b>\$ 68,901,732</b>
Capital assets used in governmental activities are not current financial resources and, therefore are not reported in the funds	<b>24,689,921</b>
Net pension asset	<b>252,893</b>
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	<b>1,164,602</b>
Pension change in proportion and differences in employer contributions and differences in employer contributions and proportionate share of contributions	<b>168,401</b>
Pension difference between actual and expected experience	<b>1,244</b>
Pension net difference between actual and expected earning on plan investments	<b>12,539</b>
Deferred inflows of resources for taxes and special assessments receivable	<b>3,618,049</b>
Pension related deferrals	<b>(601,594)</b>
Accrued interest receivable deferred in the fund statements	<b>943,939</b>
Accrued interest payable on long-term debt is not a current financial obligation and, therefore, is not in the funds	<b>(450,731)</b>
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore are not reported in the funds	<b>(55,458,216)</b>
Charges related to advance refunding bond issue	<b>2,448,295</b>
<b>Net position of governmental activities</b>	<b><u>\$ 45,691,074</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, 2016

	Governmental Fund Types			
	Major Funds		Total	Total
	General	Occupancy Tax Fund	Non-Major Funds	Governmental Funds
<b>Revenues</b>				
Ad valorem taxes	\$ 43,935,763	\$ -	\$ 5,685,759	\$ 49,621,522
Other taxes	13,778,048	6,716,161	1,697,170	22,191,379
Permits and fees	3,103,209	-	-	3,103,209
Intergovernmental	14,267,046	-	832,843	15,099,889
Sales and services	3,998,927	-	-	3,998,927
Interest	228,148	528	40,774	269,450
Miscellaneous	225,215	-	100,000	325,215
<b>Total revenues</b>	<b>79,536,356</b>	<b>6,716,689</b>	<b>8,356,546</b>	<b>94,609,591</b>
<b>Expenditures</b>				
Current:				
General government	7,653,713	-	-	7,653,713
Public safety	10,815,243	-	7,276,943	18,092,186
Transportation	1,214,961	-	-	1,214,961
Environmental protection	3,576,906	-	-	3,576,906
Economic and physical development	2,058,976	3,361,417	128,201	5,548,594
Human services	16,312,094	-	-	16,312,094
Culture and recreation	3,474,047	-	-	3,474,047
Education	23,551,049	-	-	23,551,049
Capital outlay	-	-	6,583,987	6,583,987
Debt service:				
Principal retirement	6,393,040	-	-	6,393,040
Interest and fees	1,719,633	-	-	1,719,633
<b>Total expenditures</b>	<b>76,769,662</b>	<b>3,361,417</b>	<b>13,989,131</b>	<b>94,120,210</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>2,766,694</b>	<b>3,355,272</b>	<b>(5,632,585)</b>	<b>489,381</b>
<b>Other financing sources (uses)</b>				
Debt issuance	-	-	4,600,000	4,600,000
Bond premium	-	-	463,860	463,860
Transfer in	3,439,425	-	6,167,525	9,606,950
Transfers out	(6,167,525)	(3,439,425)	(324,000)	(9,930,950)
<b>Total other financing sources (uses)</b>	<b>(2,728,100)</b>	<b>(3,439,425)</b>	<b>10,907,385</b>	<b>4,739,860</b>
<b>Net change in fund balance</b>	<b>38,594</b>	<b>(84,153)</b>	<b>5,274,800</b>	<b>5,229,241</b>
Fund balances				
Beginning	53,772,347	88,879	9,811,265	63,672,491
Ending	\$ 53,810,941	\$ 4,726	\$ 15,086,065	\$ 68,901,732

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, 2016**

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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	<b>\$ 5,229,241</b>
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.	<b>1,171,450</b>
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, retirements, and donations) is an increase to net assets.	<b>(18,467)</b>
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	<b>1,167,532</b>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	<b>(4,869)</b>
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	<b>389,480</b>
<b>Total changes in net position of governmental activities</b>	<b><u>\$ 7,934,367</u></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, 2016

	General Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
<b>Revenues</b>				
Ad valorem taxes	\$ 43,593,000	\$ 43,593,000	\$ 43,935,763	\$ 342,763
Other taxes	12,930,000	12,930,000	13,778,048	848,048
Permits and fees	2,768,500	2,826,800	3,103,209	276,409
Intergovernmental	14,048,685	14,444,238	14,267,046	(177,192)
Sales and services	3,053,495	3,113,495	3,998,927	885,432
Interest	250,000	250,000	228,148	(21,852)
Miscellaneous	117,500	109,000	225,215	116,215
<b>Total revenues</b>	<b>76,761,180</b>	<b>77,266,533</b>	<b>79,536,356</b>	<b>2,269,823</b>
<b>Expenditures</b>				
Current:				
General government	7,459,610	8,153,600	7,653,713	499,887
Public safety	11,350,895	11,425,624	10,815,243	610,381
Transportation	1,146,175	1,348,375	1,214,961	133,414
Environmental protection	3,536,195	3,648,425	3,576,906	71,519
Economic and physical development	2,790,460	2,834,460	2,058,976	775,484
Human services	17,581,315	17,862,929	16,312,094	1,550,835
Culture and recreation	3,524,360	3,646,945	3,474,047	172,898
Education	23,499,000	23,556,213	23,551,049	5,164
Debt service:				
Principal retirement	6,658,400	6,505,550	6,393,040	112,510
Interest and fees	1,795,000	1,724,000	1,719,633	4,367
<b>Total expenditures</b>	<b>79,341,410</b>	<b>80,706,121</b>	<b>76,769,662</b>	<b>3,936,459</b>
<b>Revenues over (under) expenditures</b>	<b>(2,580,230)</b>	<b>(3,439,588)</b>	<b>2,766,694</b>	<b>6,206,282</b>
<b>Other financing sources (uses)</b>				
Sale of capital assets	-	-	-	-
Transfers in	3,263,500	3,617,000	3,439,425	(177,575)
Transfers out	(2,503,000)	(6,167,526)	(6,167,525)	1
Contingency reserves	(2,278,095)	(2,594,549)	-	2,594,549
Appropriated fund balance	4,097,825	8,584,663	-	(8,584,663)
<b>Total other financing sources (uses)</b>	<b>2,580,230</b>	<b>3,439,588</b>	<b>(2,728,100)</b>	<b>(6,167,688)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>38,594</b>	<b>\$ 38,594</b>
<b>Fund balances</b>				
Beginning			53,772,347	
Ending			<u>\$ 53,810,941</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, 2016

	Occupancy Tax Fund			Variance With Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Other taxes:				
Occupancy taxes	\$ 6,450,000	\$ 7,150,000	\$ 6,691,744	\$ (458,256)
Occupancy taxes, penalties and interest	2,500	2,500	24,417	21,917
Interest	-	-	528	528
<b>Total revenues</b>	<b>6,452,500</b>	<b>7,152,500</b>	<b>6,716,689</b>	<b>(435,811)</b>
<b>Expenditures</b>				
Economic and physical development:				
Tourism:				
Tourism Development Authority	3,189,000	3,535,500	3,361,417	174,083
<b>Total expenditures</b>	<b>3,189,000</b>	<b>3,535,500</b>	<b>3,361,417</b>	<b>174,083</b>
<b>Revenues over expenditures</b>	<b>3,263,500</b>	<b>3,617,000</b>	<b>3,355,272</b>	<b>(261,728)</b>
<b>Other financing uses</b>				
Transfers out	(3,263,500)	(3,617,000)	(3,439,425)	177,575
<b>Total other financing uses</b>	<b>(3,263,500)</b>	<b>(3,617,000)</b>	<b>(3,439,425)</b>	<b>177,575</b>
<b>Revenues under expenditures     and other uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(84,153)</b>	<b>\$ (84,153)</b>
<b>Fund balances</b>				
Beginning			88,879	
Ending			<u>\$ 4,726</u>	

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Fund Net Position - Proprietary Fund  
June 30, 2016

	Water Fund
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 964,973
Receivables, net	58,878
Restricted cash and cash equivalents	43,932
<b>Total current assets</b>	<b>1,067,783</b>
Noncurrent assets	
Capital assets:	
Land, improvements, and construction in progress	222,608
Other capital assets, net of depreciation	7,308,931
<b>Total capital assets</b>	<b>7,531,539</b>
<b>Total noncurrent assets</b>	<b>7,531,539</b>
<b>Total assets</b>	<b>8,599,322</b>
<b>Deferred outflows of resources</b>	<b>14,494</b>
<b>Liabilities</b>	
Current liabilities	
Accounts payable and accrued expenses	36,436
Customer deposits	96,055
Accrued interest payable	9,408
Current portion of long-term liabilities	194,954
<b>Total current liabilities</b>	<b>336,853</b>
Noncurrent liabilities	
Installment loan payable and long-term liabilities	2,449,251
Net pension liability	12,666
<b>Total noncurrent liabilities</b>	<b>2,461,917</b>
<b>Total liabilities</b>	<b>2,798,770</b>
<b>Deferred inflows of resources</b>	<b>6,588</b>
<b>Net Position</b>	
Net investment in capital assets	4,900,315
Unrestricted	908,143
<b>Total net position</b>	<b>\$ 5,808,458</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, 2016

	<u>Water Fund</u>
Operating revenues	
Charges for services	\$ 576,598
<b>Total operating revenues</b>	<u>576,598</u>
Operating expenses	
Water plant operations	549,419
Depreciation	420,441
<b>Total operating expenses</b>	<u>969,860</u>
<b>Operating loss</b>	<u>(393,262)</u>
<b>Nonoperating revenues (expenses)</b>	
Interest revenue	3,647
Interest expense	(75,708)
<b>Total nonoperating revenues (expenses)</b>	<u>(72,061)</u>
<b>Loss before contributions and transfers</b>	(465,323)
Transfers in	324,000
<b>Change in net position</b>	<u>(141,323)</u>
Total net position	
Beginning	5,949,781
Ending	<u>\$ 5,808,458</u>

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Cash Flows - Proprietary Fund  
Year Ended June 30, 2016

	<u>Water Fund</u>
Cash flows from operating activities	
Cash received from customers	\$ 577,489
Cash paid for goods and services	(282,160)
Cash paid to employees for services	(269,337)
Customer deposits received	3,245
<b>Net cash provided by operating activities</b>	<u>29,237</u>
Cash flows from noncapital financing	
Transfers in	324,000
<b>Net cash provided by noncapital financing</b>	<u>324,000</u>
Cash flows from capital and related financing activities	
Principal paid on installment debt	(187,032)
Interest paid on installment debt	(76,557)
<b>Net cash used by capital and related financing activities</b>	<u>(263,589)</u>
Cash flows provided by investing activities	
Interest on investments	3,647
<b>Net increase in cash and cash equivalents</b>	93,295
Cash and cash equivalents:	
Beginning	915,610
Ending (including restricted of \$43,932)	<u>\$ 1,008,905</u>

(Continued)

Carteret County, North Carolina

Statement of Cash Flows - Proprietary Fund (Continued)  
Year Ended June 30, 2016

	<b>Water Fund</b>
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (393,262)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	420,441
Changes in assets, liabilities, and deferred outflows and inflows of resources:	
Decrease in accounts receivable	891
Increase in accounts payable and accrued liabilities	3,236
Increase in customer deposits	3,245
Increase in accrued vacation pay	758
Decrease in net pension asset	18,179
Decrease in deferred outflows of resources - pensions	802
Increase in net pension liability	12,666
Decrease in deferred inflows of resources - pensions	(37,719)
<b>Net cash provided by operating activities</b>	<b>\$ 29,237</b>

See Notes to Financial Statements.

**Carteret County, North Carolina**

**Statement of Fiduciary Net Position - Fiduciary Funds  
June 30, 2016**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	<u>\$ 97,937</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	<u>\$ 97,937</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 TDA Board is governed by a board appointed by the County Commissioners. 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 fourteen 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, County Facilities Debt Reserve Fund, School Special Projects Fund, County Construction Projects Fund, 2015 School Bond Project Fund, Carteret Community College Project 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 the 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.

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

**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 majority of the County's investments are carried at fair value. Non-participating interest earning contracts are accounted for at cost. The NC Capital Management Trust Cash Portfolio, a SEC-registered 2a-7 external investment pool, is measured at amortized cost, 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, 2015 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 received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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 or acquisition value after July 1, 2015. 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 net 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 or fund balance that applies to a future period and so will not be recognized as revenue until then. The County has three items that meet the criterion for this category – prepaid taxes, property taxes receivable, 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.

**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, 2016:

- 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, 2016. 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.
- Restricted for School Capital – portion of fund balance that can only be used for School Capital per G.S. 159-18-22.

**Committed Fund Balance** – portion of fund balance that can only be used for specific purpose imposed by majority vote of Carteret County's Board of Commissioners (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the Board of Commissioners. This action is accomplished by a formal motion and approval vote by a majority of the Board of Commissioners. The following are the County's committed fund balances as of June 30, 2016:

- 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.
- Committed for Community College Capital – portion of fund balance that can only be used for community college capital projects.

**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, 2016:

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

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

Notes to Financial Statements

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**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. The General Fund is the only governmental fund where it is appropriate to report a positive unassigned fund balance amount.

**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 liability (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 (\$23,210,658) 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	\$ 63,142,796
Less accumulated depreciation	38,452,875
<b>Net capital assets</b>	<u>24,689,921</u>
Net pension asset	252,893
Contributions to the pension plan in the current fiscal year	1,164,602
Pension change in proportion and differences in employer contributions and differences in employer contributions and proportionate share of contributions	168,401
Pension difference between actual and expected experience	1,244
Pension net difference between actual and expected earning on plan investments	12,539
Deferred charges related to advance refunding bond issued - included on government-wide statement of net position but are not a current financial resources	2,448,295
Accrued interest receivable	943,939
Liabilities for deferred inflows of resources reported in the fund statements but not in the government-wide statements	3,618,049
Pension related deferrals	(601,594)
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	(46,481,656)
Premiums on refundings	(2,768,620)
Accrued interest payable	(450,731)
Compensated absences	(1,336,038)
Accrued postemployment and retirement obligations	(4,871,902)
<b>Long-term liabilities</b>	<u>(55,908,947)</u>
<b>Total adjustment</b>	<u>\$ (23,210,658)</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 \$2,705,126 as follows:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 3,390,069
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	(2,218,619)
Loss on disposed capital assets not recorded in the fund statements	(18,467)
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	(5,063,860)
Payments to escrow agent on refunded debt	
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.	6,393,040
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.	93,079
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	1,167,532
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	(4,448)
Other postemployment benefits	(370,570)
County's portion of collective pension expense	(689,662)
Decrease in interest payable on long-term debt at June 30, 2016	31,901
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Decrease in deferred inflows of resources - taxes receivable - as of June 30, 2016	(26,745)
Increase in accrued interest on taxes receivable for year ended June 30, 2016	21,876
<b>Total adjustment</b>	<b>\$ 2,705,126</b>

## **Carteret County, North Carolina**

### **Notes to Financial Statements**

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

Component Unit information:

For the TDA, the Authority's capital lease agreement with the Town of Emerald Isle for the Authority's new visitor center is not in accordance with State law. State law does not give the Authority the authority to borrow. The Authority will put procedures in place to ensure that in the future they will not enter into another capital lease agreement.

For the fiscal year ended June 30, 2016, the Authority expended \$196,968 more for capital outlay in the General Fund than the amount appropriated in the budget. The Authority will closely review budget to actual reports to ensure compliance in the future.

For the ABC Board for the fiscal year ended June 30, 2016, the expenditures exceeded the authorized appropriations made by the governing board for taxes based on revenues by \$128,890, for cost of goods sold by \$788,773, and for distributions by \$810,392.

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

Cash on hand:

The County had \$2,249 in petty cash on hand at June 30, 2016.

Component unit information:

The Hospital had \$6,677 in cash on hand at September 30, 2015.

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, 2016, the County's deposits, excluding petty cash and agency fund deposits had a carrying amount of \$10,926,480 and a bank balance of \$12,398,439. Of the bank balance, \$3,717,416 was covered by federal depository insurance and \$8,681,023 was covered by collateral held under the Pooling Method. Restricted cash deposits, excluding agency funds, in the amount of \$2,408,881 is as follows: held in noninterest-bearing deposits for banking services in the amount of \$75,545, \$21,581 for capital projects, \$2,267,823 is restricted for fire and rescue special taxing districts, and \$43,932 in the Water Fund is restricted in accordance with the County's USDA revenue bond requirements.

## Carteret County, North Carolina

### Notes to Financial Statements

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

At June 30, 2016, the County's agency fund deposits had a carrying amount of \$97,937 and a bank balance of \$101,753. All of the bank balance was covered by federal depository insurance.

Component unit information:

At June 30, 2016, the carrying amount of deposits for the TDA with financial institutions was \$129,094 and the bank balance was \$183,097. Of the bank balance, all was covered by federal depository insurance.

At June 30, 2016, the carrying amount of deposits and petty cash for the Airport was \$880,694 and the bank balance was \$892,133. Of the bank balance, \$262,914 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

At September 30, 2015, the carrying amount of the Hospital's deposits was \$95,994,477 and the bank balance was \$97,189,816. Of the carrying amount, \$6,677 was cash on hand. Of the bank balance, \$2,500,000 was covered by federal depository insurance and the remainder is collateralized by the pooling method.

At June 30, 2016 the carrying amount of deposits for the ABC Board was \$1,471,830 and the bank balance was \$1,357,865. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

Investments:

At June 30, 2016, the County had the following investments and maturities.

Investment Type	Valuation Measurement Method	Fair Value	Less Than	
			1 Year	1-5 Years
Commercial Paper	Fair Value - Level 2	\$ 1,991,259	\$ 1,991,259	\$ -
US Government Agencies	Fair Value - Level 1	8,143,108	2,136,994	6,006,114
NC Capital Management Trust Cash Portfolio	Fair Value - Level 1 Amortized Cost	45,145,678	45,145,678	N/A
NC Capital Management Trust Term Portfolio*	Fair Value - Level 1	398,509	398,509	-
<b>Total</b>		<b>\$ 55,678,554</b>	<b>\$ 49,672,440</b>	<b>\$ 6,006,114</b>

\*Because the NC Capital Management Trust Term Portfolio has a weighted average maturity of less than 90 days, it was presented as an investment with a maturity of less than 6 months.

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2: debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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

**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, 2016, 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.

**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 Freddie Mac Securities, \$3,005,268 (5.40%). 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, 2016, the County had restricted investments in the governmental activities of \$5,749,599. In the General Fund there are restricted investments of \$1,136,215 for Qualified Zone Academy Bond debt service and \$4,613,384 for North Carolina Capital Management Trust 2015 General Obligation Bonds.

Component unit information

At June 30, 2016, the TDA had \$260,112 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, 2016:

	<b>Governmental Activities</b>	<b>Business-Type Activity, Water</b>	<b>Total</b>
Receivables:			
Interest	\$ 943,939	\$ -	\$ 943,939
Taxes	3,343,896	-	3,343,896
Accounts	627,443	58,878	686,321
Intergovernmental	6,328,540	-	6,328,540
Other	1,300,522	-	1,300,522
<b>Gross receivables</b>	<b>12,544,340</b>	<b>58,878</b>	<b>12,603,218</b>
Less allowance for uncollectibles	(241,070)	-	(241,070)
<b>Net total receivables</b>	<b>\$ 12,303,270</b>	<b>\$ 58,878</b>	<b>\$ 12,362,148</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
2013	\$ 222,862	\$ 52,930	\$ 275,792
2014	235,817	34,783	270,600
2015	430,412	24,749	455,161
2016	450,648	-	450,648
<b>Total</b>	<b>\$ 1,339,739</b>	<b>\$ 112,462</b>	<b>\$ 1,452,201</b>

Component unit information

The Hospital's receivables of \$27,363,505 are net of an allowance for doubtful accounts of approximately \$20,566,627. 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, 2016:

	Capital Assets July 1, 2015	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2016
Governmental activities:					
Capital assets, not being depreciated:					
Land, airport	\$ 169,549	\$ -	\$ -	\$ -	\$ 169,549
Land, other	5,450,179	594,071	-	-	6,044,250
Construction in progress	-	157,607	-	-	157,607
<b>Total capital assets not being depreciated</b>	<b>5,619,728</b>	<b>751,678</b>	<b>-</b>	<b>-</b>	<b>6,371,406</b>
Capital assets, being depreciated:					
Buildings	27,463,802	139,431	-	-	27,603,233
Vehicles	4,883,432	684,333	(40,599)	-	5,527,166
Equipment	7,364,986	518,958	-	-	7,883,944
Airport facilities	1,524,747	-	-	-	1,524,747
Other improvements	10,346,203	1,295,669	-	-	11,641,872
Leasehold improvements	2,590,428	-	-	-	2,590,428
<b>Total capital assets being depreciated</b>	<b>54,173,598</b>	<b>2,638,391</b>	<b>(40,599)</b>	<b>-</b>	<b>56,771,390</b>
Less accumulated depreciation for:					
Buildings	18,062,678	773,212	-	-	18,835,890
Vehicles	3,954,532	381,687	(22,132)	-	4,314,087
Equipment	6,476,388	447,146	-	-	6,923,534
Airport facilities	1,524,747	-	-	-	1,524,747
Other improvements	5,599,633	487,053	-	-	6,086,686
Leasehold improvements	638,410	129,521	-	-	767,931
<b>Total accumulated depreciation</b>	<b>36,256,388</b>	<b>\$ 2,218,619</b>	<b>\$ (22,132)</b>	<b>\$ -</b>	<b>38,452,875</b>
<b>Total capital assets, being depreciated, net</b>	<b>17,917,210</b>				<b>18,318,515</b>
<b>Governmental activity capital assets, net</b>	<b>\$ 23,536,938</b>				<b>\$ 24,689,921</b>

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

Governmental activities:	
General government	\$ 402,730
Public Safety	833,490
Transportation	105,600
Economic & Physical Development	4,406
Human Services	356,779
Culture & Recreation	486,758
Environmental Protection	28,856
<b>Total depreciation expense - governmental activities</b>	<b>\$ 2,218,619</b>

Carteret County, North Carolina

Notes to Financial Statements

Note 5. Capital Assets (Continued)

	Capital Assets July 1, 2015	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2016
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	166,448	-	-	-	166,448
<b>Total capital assets, being depreciated</b>	<b>11,941,507</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,941,507</b>
Less accumulated depreciation for:					
Buildings	824,158	70,642	-	-	894,800
Infrastructure	3,251,678	326,577	-	-	3,578,255
Vehicles	21,993	4,572	-	-	26,565
Equipment	114,306	18,650	-	-	132,956
<b>Total accumulated depreciation</b>	<b>4,212,135</b>	<b>\$ 420,441</b>	<b>\$ -</b>	<b>\$ -</b>	<b>4,632,576</b>
<b>Total capital assets, being depreciated, net</b>	<b>7,729,372</b>				<b>7,308,931</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 7,951,980</b>				<b>\$ 7,531,539</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, 2015:

	Balance September 30, 2014	Additions	Retirements	Adjustment and Transfers	Balance September 30, 2015
Capital assets:					
Capital assets, not being depreciated:					
Construction in progress	\$ 2,769,801	\$ 29,633,048	\$ -	\$ (30,648,687)	\$ 1,754,162
Land	3,437,515	-	-	-	3,437,515
<b>Total capital assets, not being depreciated</b>	<b>6,207,316</b>	<b>29,633,048</b>	<b>-</b>	<b>(30,648,687)</b>	<b>5,191,677</b>
Capital assets, being depreciated:					
Land improvements	859,821	-	-	220,936	1,080,757
Buildings and improvements	47,206,126	183,290	-	24,684,860	72,074,276
Equipment	67,871,864	3,376,992	-	5,646,840	76,895,696
<b>Total capital assets, being depreciated</b>	<b>115,937,811</b>	<b>3,560,282</b>	<b>-</b>	<b>30,552,636</b>	<b>150,050,729</b>
Less accumulated depreciation:					
Land improvements	765,419	29,086	-	-	794,505
Buildings and improvements	14,282,184	2,238,658	-	-	16,520,842
Equipment	49,583,840	6,836,664	-	(90,804)	56,329,700
<b>Total accumulated depreciation</b>	<b>64,631,443</b>	<b>\$ 9,104,408</b>	<b>\$ -</b>	<b>\$ (90,804)</b>	<b>73,645,047</b>
<b>Total capital assets, being depreciated, net</b>	<b>51,306,368</b>				<b>76,405,682</b>
<b>Capital assets, net</b>	<b>\$ 57,513,684</b>				<b>\$ 81,597,359</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, 2016:

Land	<b>\$ 1,149,703</b>
Buildings	<b>3,099,387</b>
Furniture and equipment	<b>1,412,381</b>
Leasehold improvements	<b>90,340</b>
Building improvements	<b>112,352</b>
	<b>5,864,163</b>
Less accumulated depreciation	<b>2,586,862</b>
	<b>\$ 3,277,301</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, 2016:

Construction in progress	\$ 194,127
Land	1,516,047
Aviation easement	577,000
Equipment	77,010
Vehicle	24,066
Hangers	913,438
Land/runway improvements	8,449,215
	<u>11,750,903</u>
Less accumulated depreciation	1,464,982
	<u><u>\$ 10,285,921</u></u>

The following is a summary of the TDA's capital assets at June 30, 2016:

Buildings	\$ 276,000
Other improvements	69,523
Equipment	123,836
Vehicles	19,723
	<u>489,082</u>
Less accumulated depreciation	140,236
	<u><u>\$ 348,846</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, 2016, were as follows:

	<b>Vendors</b>	<b>Salaries and Benefits</b>	<b>Total</b>
Governmental activities:			
General	\$ 1,644,224	\$ 1,759,778	\$ 3,404,002
Occupancy Tax	701,231	-	701,231
Other governmental	445,200	-	445,200
<b>Total governmental activities (1)</b>	<b>\$ 2,790,655</b>	<b>\$ 1,759,778</b>	<b>\$ 4,550,433</b>
Business-type activities:			
Water	\$ 20,069	\$ 16,367	\$ 36,436
<b>Total business - type activities</b>	<b>\$ 20,069</b>	<b>\$ 16,367</b>	<b>\$ 36,436</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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Charges on refunding of debt	\$ 2,448,295	\$ -
Pensions- difference between expected and actual experience		
LGERS	-	277,344
Register of Deeds	1,244	-
Pensions - difference between projected and actual investment earnings	12,539	330,838
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	170,215	-
Contributions to pension plans in fiscal year 2016	1,177,282	-
Prepaid taxes not yet earned (General)	-	51,723
Deferred outflows/inflows of resources (page 30)	<b>3,809,575</b>	<b>659,905</b>
Taxes receivable, net (General)	-	2,504,866
Taxes receivable, net (Special Revenue)	-	597,960
Solid waste fees receivable (General)	-	515,223
<b>Total</b>	<b>\$ 3,809,575</b>	<b>\$ 4,277,954</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 \$2 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, and workers' compensation coverage up to the statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of a \$500,000 retention up to a \$2 million per occurrence retention for property, and auto physical damage. For workers' compensation there is a per occurrence retention of \$750,000.

The County 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**

**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, 2016, 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>\$ 1,410,000</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>700,000</b>
\$4,780,000 - 2011 Refunding Carteret Community College bond due on August 1 and February 1 in varying installments through February 1, 2020; interest at varying rates ranging from 3% to 5.00%	<b>2,325,000</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>12,085,000</b>
\$4,600,000 - 2015 School bond, due on November 1 and May 1 in varying installments through November 1, 2035; interest at interest rates ranging from 3.00% to 5.00%	<b>4,600,000</b>
	<b><u>\$ 33,820,000</u></b>

Annual debt service requirements to maturity for general obligation bonds as of June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest
2017	\$ 4,410,000	\$ 1,187,884
2018	3,685,000	1,020,628
2019	3,625,000	905,290
2020	2,965,000	784,642
2021	2,785,000	673,989
2022 – 2026	13,595,000	1,839,661
2027 – 2031	1,605,000	280,229
2032 – 2036	1,150,000	87,540
	<b><u>\$ 33,820,000</u></b>	<b><u>\$ 6,779,863</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, 2016, 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><u>\$ 2,630,000</u></u></b>
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Annual debt service requirements to maturity for certificates of participation as of June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest
2017	\$ 455,000	\$ 91,950
2018	445,000	78,300
2019	440,000	64,950
2020	435,000	47,350
2021	430,000	29,950
2022	425,000	12,750
	<b><u><u>\$ 2,630,000</u></u></b>	<b><u><u>\$ 325,250</u></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, 2016, 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>971,354</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>3,287,859</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>2,461,540</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>964,750</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>244,200</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>101,953</b>
	<b><u>10,031,656</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>217,224</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>1,400,000</b>
	<b><u>1,617,224</u></b>
	<b><u>\$ 11,648,880</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, 2016, are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 1,580,899	\$ 292,931	\$ 171,032	\$ 43,360	\$ 1,751,931	\$ 336,291
2018	1,565,899	237,930	171,032	38,489	1,736,931	276,419
2019	1,473,756	183,468	171,032	33,618	1,644,788	217,086
2020	1,275,514	132,314	171,032	28,746	1,446,546	161,060
2021	565,514	84,134	171,032	23,875	736,546	108,009
2022 – 2026	3,570,074	116,256	762,064	51,659	4,332,138	167,915
	<u>\$ 10,031,656</u>	<u>\$ 1,047,033</u>	<u>\$ 1,617,224</u>	<u>\$ 219,747</u>	<u>\$ 11,648,880</u>	<u>\$ 1,266,780</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

**\$ 1,014,000**

Annual debt service requirements to maturity for revenue bonds June 30, 2016, are as follows:

June 30,	Principal	Interest
2017	\$ 17,000	\$ 27,885
2018	17,000	27,418
2019	18,000	26,950
2020	18,000	26,455
2021	19,000	25,960
2022-2026	101,000	121,771
2027-2031	117,000	107,058
2032-2036	133,000	90,090
2037-2041	153,000	70,702
2042-2046	175,000	48,537
2047-2051	202,000	23,073
2052	44,000	1,209
	<u>\$ 1,014,000</u>	<u>\$ 597,108</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, 2016, is as follows:

Operating revenues	\$ 576,598
Operating expenses *	<u>(549,419)</u>
Operating income	27,179
Nonoperating revenues (expenses)**	3,647
Miscellaneous revenues and transfers	<u>324,000</u>
Net revenues available for debt service	<u><u>\$ 354,826</u></u>
110% of FY 15-16 revenue bond debt service requirement	\$ 48,758
100% of FY 15-16 DENR installment loan debt service requirement	219,264
Total FY 15-16 debt service subject to net revenue covenant compliance	<u><u>\$ 268,022</u></u>
Debt Service coverage ratio	132%

\* Per covenants, this does not include depreciation expense of \$420,441.

\*\* Per covenants, this does not include revenue bond and installment interest paid of \$76,557.

#### 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 \$600,000 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, 2016:

	Beginning Balance June 30, 2015	Additions	Retirements	Ending Balance June 30, 2016	Due Within One Year
Governmental activities:					
Bonds/certificates payable:					
General obligation bonds	\$ 33,475,000	\$ 4,600,000	\$ 4,255,000	\$ 33,820,000	\$ 4,410,000
Certificates of participation	3,090,000	-	460,000	2,630,000	455,000
Bond premiums	2,680,697	463,860	375,937	2,768,620	-
<b>Total bonds payable</b>	<b>39,245,697</b>	<b>5,063,860</b>	<b>5,090,937</b>	<b>39,218,620</b>	<b>4,865,000</b>
Installment purchase obligations	11,709,696	-	1,678,040	10,031,656	1,580,899
Compensated absences	1,331,590	1,173,355	1,168,907	1,336,038	938,455
Net pension liability (LGERS)	-	1,149,396	-	1,149,396	-
Special separation allowance pension obligations	452,870	83,968	9,557	527,281	-
Net OPEB obligation	2,899,066	610,657	314,498	3,195,225	-
<b>Governmental activity         long-term liabilities</b>	<b>\$ 55,638,919</b>	<b>\$ 8,081,236</b>	<b>\$ 8,261,939</b>	<b>\$ 55,458,216</b>	<b>\$ 7,384,354</b>
Business-type activities:					
Revenue Bond	\$ 1,030,000	-	\$ 16,000	\$ 1,014,000	\$ 17,000
Installment purchase obligations	1,788,256	-	171,032	1,617,224	171,032
Compensated absences	12,223	13,878	13,120	12,981	6,922
Net pension liability (LGERS)	-	12,666	-	12,666	-
<b>Business-type activity         long-term liabilities</b>	<b>\$ 2,830,479</b>	<b>\$ 26,544</b>	<b>\$ 200,152</b>	<b>\$ 2,656,871</b>	<b>\$ 194,954</b>

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the end 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, 2016, Carteret County had a legal debt margin of \$1,110,661,857.

Component unit information:

The Hospital has several capital lease obligations for certain medical equipment and software at September 30, 2015. The leases expire at various dates through 2018 and have a present value of minimum lease payments of \$1,172,776.

**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, 2015, are as follows:

Year Ending September 30,	Amount
2016	\$ 636,996
2017	521,802
2018	47,086
Total minimum lease payments	1,205,884
Less amount representing interest 2.67%-4.00%	(33,108)
Present value of net minimum lease obligations	1,172,776
Less current maturities	(611,619)
Obligations under capital leases, less current maturities	<u>\$ 561,157</u>

Assets under capital leases had a cost basis of \$3,396,941 and accumulated depreciation on these assets of \$2,272,389 at September 30, 2015.

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, 2016.

Year Ending June 30,	Amount
2017	\$ 33,600
2018	33,600
2019	33,600
2020	33,600
2021	33,600
2022-2025	128,450
Total minimum lease payments	296,450
Less amount representing interest	(43,667)
Present value of the minimum lease payments	<u>\$ 252,783</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, 2016, 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.	\$ 112,154
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.	356,124
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.	61,434
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>264,113</u>
	<u>793,825</u>
Less current maturities	182,183
<b>Long-term debt</b>	<u><u>\$ 611,642</u></u>

Aggregate maturities of the ABC Board's long-term debt at June 30, 2016, are as follows:

Year Ending June 30,	Amount
2017	\$ 182,183
2018	186,785
2019	159,999
2020	163,881
2021	100,977
	<u><u>\$ 793,825</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, 2016. 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, 2016, amounted to approximately \$38,981 and is included in accounts payable.

The TDA had accrued compensated absences as a long-term debt at June 30, 2016, in the amount of \$15,413.

**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, 2016, was 7.01% of compensation for law enforcement officers and 6.67% 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 \$1,167,788 for the year ended June 30, 2016.

**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, 2016, the County reported a liability of \$1,162,062 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability 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, 2015, the County's proportion was .259%, which was an increase of .002% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$580,878. At June 30, 2016, 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	\$ -	\$ 273,158
Net difference between projected and actual earnings on pension plan investments	-	330,838
Changes in proportion and differences between County contributions and proportionate share of contributions	166,511	-
County contributions subsequent to the measurement date	1,167,788	-
Total	<u>\$ 1,334,299</u>	<u>\$ 603,996</u>

\$1,167,788 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Years ending June 30:**

2017	\$ (335,156)
2018	(335,156)
2019	(335,048)
2020	567,883
2021	-
Thereafter	-
	<u>\$ (437,477)</u>

**Actuarial Assumptions:** The total pension liability in the December 31, 2014 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, 2014 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, 2015 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	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2014 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 3.00%. All rates of return and inflation are annualized.

**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)	\$ 8,103,220	\$ 1,162,062	\$ (4,685,710)

**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, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Active plan members	59
<b>Total</b>	<b>60</b>

A separate report was not issued for the plan.

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.

**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 amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration cost of the Separation Allowance are finance through investment earnings.

The annual required contribution for the fiscal year ended June 30, 2016 was determined as part of the December 31, 2015 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 actuarial value of assets was market value. 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	\$ 101,120
Interest on net pension obligation	22,644
Adjustment to annual required contribution	<u>(39,796)</u>
<b>Annual pension cost</b>	<b>83,968</b>
Benefit payments made for fiscal year ended June 30, 2016	<u>9,557</u>
<b>Increase in net pension obligation</b>	<b>74,411</b>
Net pension obligation, beginning of fiscal year	<u>452,870</u>
Net pension obligation, end of fiscal year	<u><u>\$ 527,281</u></u>

3 Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
6/30/2014	\$ 61,328	16.03%	\$ 381,594
6/30/2015	79,971	10.87%	452,870
6/30/2016	<b>83,968</b>	<b>11.38%</b>	<b>527,281</b>

4. Funded Status and Funding Progress.

As of December 31, 2015, 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 \$912,139. The covered payroll (annual payroll of active employees covered by the plan) was \$2,577,824, and the ratio of the UAAL to the covered payroll was 35.38 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, 2016 were \$179,450, which consisted of \$119,251 from the County and \$60,199 from law enforcement officers. Contributions from the ABC Board for the year ended June 30, 2016 consisted of \$3,473 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, 2016, were \$1,056,127, which consisted of \$727,303 from the County and \$328,824 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 \$9,494 for the year ended June 30, 2016.

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

At June 30, 2016, the County reported an asset of \$252,893 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 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, 2015, the County's proportion was 1.09%, which was a decrease of .01% from its proportion measured as of June 30, 2014.

At June 30, 2016, the County recognized pension expense of (\$2,936). At June 30, 2016, 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	\$ 1,238	\$ 4,186
Net difference between projected and actual earnings on pension plan investments	12,542	-
Changes in proportion and differences between County contributions and proportionate share of contributions	3,707	-
County contributions subsequent to the measurement date	9,494	-
<b>Total</b>	<b>\$ 26,981</b>	<b>\$ 4,186</b>

\$9,494 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, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Years ending June 30:**

2017	\$ 4,711
2018	2,398
2019	2,806
2020	3,386
2021	-
Thereafter	-
	<b>\$ 13,301</b>

## 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, 2014 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, 2014 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 2.2%.

The information above is based on 30-year expectations developed with the consulting actuary for the 2014 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:

	1% Decrease (4.75%)	Discount Rate (5.75%)	1% Increase (6.75%)
County's proportionate share of the net pension liability (asset)	\$ (228,165)	\$ (252,893)	\$ (274,173)

## Carteret County, North Carolina

### Notes to Financial Statements

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#### 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, 2016, was 7.15% of compensation for law enforcement officers and 6.84% 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 \$48,405 for the year ended June 30, 2016.

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, 2016, the Board reported a liability of \$38,147 for its proportionate share of the net pension asset. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 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, 2015, the Board's proportion was 0.0085% which was a decrease of 0.00023% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Board recognized pension expense of \$21,689. At June 30, 2016, the Board 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	\$ -	\$ 8,967
Net difference between projected and actual earnings on pension plan investments	-	10,860
Changes in proportion and differences between Board contributions and proportionate share of contributions	10,082	-
ABC Board's contributions subsequent to the measurement date	48,405	-
Total	<u>\$ 58,487</u>	<u>\$ 19,827</u>

\$48,405 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, 2017. 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>	
2017	\$ (9,846)
2018	(9,846)
2019	(9,840)
2020	19,787
2021	-
Thereafter	-
	<u>\$ (9,745)</u>

**Actuarial Assumptions:** The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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, 2014 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, 2015 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	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2014 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 3.00%. All rates of return and inflation are annualized.

**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.

**Carteret County, North Carolina**

**Notes to Financial Statements**

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

**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)	\$ 266,004	\$ 38,147	\$ (153,818)

**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, 2016 and 2015 totaling \$24,278 and \$24,996, 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, 2015, were approximately \$1,473,000. 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, 2015, were approximately \$624,000.

**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, 2016, was \$5,892.

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	<b>24</b>	<b>6</b>
Active plan members	<b>344</b>	<b>53</b>
<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 \$525 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 4.16% of annual covered payroll. For the current year, the County contributed \$314,498 or 2.16% 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 \$128,808. 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	\$ 605,474
Interest on net OPEB obligation	115,963
Adjustment to annual required contribution	<u>(110,780)</u>
<b>Annual OPEB cost</b>	<b>610,657</b>
Benefit payments made	<u>(314,498)</u>
<b>Increase in net OPEB obligation</b>	<b>296,159</b>
Net OPEB obligation, beginning of year	<u>2,899,066</u>
Net OPEB obligation, end of year	<u><u>\$ 3,195,225</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, 2016, were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 645,196	42.90%	\$ 2,649,142
2015	592,575	57.82%	2,899,066
<b>2016</b>	<b>610,657</b>	<b>51.50%</b>	<b>3,195,255</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.

**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, 2016, the County made contributions to the State for death benefits of \$19,479. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.11% and 0.14% of covered payroll, respectively.

## 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>\$ 51,161,548</b>	<b>\$ 27,548,652</b>
TANF	<b>276,275</b>	-
WIC	<b>873,821</b>	-
Health Choice	<b>1,042,499</b>	<b>46,266</b>
Special Assistance	-	<b>368,641</b>
CWS Adoption Subsidy	-	<b>202,176</b>
	<b><u>\$ 53,354,143</u></b>	<b><u>\$ 28,165,735</u></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, 2016. 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, 2016. 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, \$2,325,000 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 \$2,735,197 to the Community College during the fiscal year ended June 30, 2016. 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, 2016. 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, 2016. During the year ended June 30, 2016, the County contributed \$1,134,585 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, 2016 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>
2017	\$ 116,500
2018	116,500
	<u>\$ 233,000</u>

Federal and State Assisted Programs

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

Component unit information:

The Hospital is insured under claims-made policies for the purpose of providing professional and patient care liability insurance. These policies cover only malpractice claims reported to the insurance carrier during the policy term. Coverage includes a \$3,000,000 policy on professional liability limited to \$1,000,000 per case and an excess coverage policy of \$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, 2015, 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**

**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, 2016:

<b>Project</b>	<b>Spent-To-Date</b>	<b>Remaining Commitment</b>
Hangar Taxilane - Construction	<b>\$ 194,123</b>	<b>\$ 64,885</b>

**Note 17. Inter-fund and Intra-Entity Receivables and Payables**

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General Fund	Occupancy Tax	
	Occupancy tax distribution	<b>\$ 594,565</b>
	2003 CDBG Scattered Site	<b>10,500</b>
	School Bond Project Fund	<b>19,767</b>
		<b>\$ 624,832</b>

Due to/from primary government and component units:

<b>Receivable Entity</b>	<b>Payable Entity</b>	<b>Amount</b>
Primary government: General Fund	Component unit: Carteret County ABC Board Net income distribution due to County at June 30, 2016	
		<b>\$ 164,228</b>

**Carteret County, North Carolina**

**Notes to Financial Statements**

**Note 18. Inter-fund 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.

Inter-fund transfers for the year ended June 30, 2016, 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	\$ -	\$ 6,167,525	\$ -	\$ 6,167,525
Major Occupancy Tax Fund	3,439,425	-	-	3,439,425
Other Governmental Funds	-	-	324,000	324,000
<b>Total transfers out</b>	<b>\$ 3,439,425</b>	<b>\$ 6,167,525</b>	<b>\$ 324,000</b>	<b>\$ 9,930,950</b>

Transfers consist primarily of the following:

<b>\$ 6,167,525</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>3,439,425</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, 2016, are as follows:

Expenditures from General Fund to Beaufort-Morehead City Airport Authority for operations and capital improvements	\$ 83,955
Expenditures from Occupancy Tax Fund to Carteret County Tourism Development Authority for portion of Room Occupancy Tax	<u>3,361,417</u>
	<u>\$ 3,445,372</u>
Profit Contributions from ABC Board to General Fund	<u>\$ 703,586</u>

**Note 19. Pronouncements Issued, Not Yet Effective**

The GASB has issued several pronouncements prior to June 30, 2016, 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.

**Note 19. Pronouncements Issued, Not Yet Effective (Continued)**

In June 2015, GASB issued Statement No. 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. This statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and non-employer contributing entities. The requirements of this statement that address accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and will enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. This Statement is effective for fiscal years beginning after June 15, 2017.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The requirements of this Statement will require governments that enter into tax abatement agreements to disclose certain information about the agreements. This Statement is effective for fiscal years beginning after December 15, 2015.

In December 2015, GASB issued Statement No. 78, *Pension Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015.

**Note 19. Pronouncements Issued, Not Yet Effective (Continued)**

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. The requirements of this Statement enhance the comparability of financial statements among governments. Greater comparability improves the decision-usefulness of information reported in financial statements and enhances its value for assessing government accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement will enhance accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016.

In March 2016, GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement will address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 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*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

**Note 20. Subsequent Events**

The County has evaluated its subsequent events (events occurring after June 30, 2016) through December 16, 2016, which represents the date the financial statements were available to be issued.

September 20, 2016, the Carteret County Board of Commissioners approved \$2,481,000 contract for a General Services and Public Works Building. The contractor is Thomas Simpson Construction, and the notice to proceed date is January 3, 2017.



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 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 Liability (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)
12/31/2010	\$ -	\$ 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%
12/31/2015	-	912,139	912,139	0.00%	2,577,824	35.38%

**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
2014	\$ 641,119	43.17%
2015	587,839	58.29%
2016	605,474	51.94%

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 Three Fiscal Years\*

	<b>2016</b>	<b>2015</b>	<b>2014</b>
County's proportion of the net pension liability (asset) %	0.25893%	0.25688%	0.24810%
County's proportionate share of the net pension liability (asset) \$	\$ 1,162,062	\$ (1,514,940)	\$ 2,990,558
County's covered employee payroll	15,801,403	14,891,061	14,737,702
County's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	7.35%	-10.17%	20.29%
Plan fiduciary net position as a percentage of the total pension liability	98.09%	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 Three Fiscal Years

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 1,167,788	\$ 1,150,353	\$ 1,062,954
Contributions in relation to the contractually required contribution	1,167,788	1,150,353	1,062,954
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 17,057,781	\$ 15,801,403	\$ 14,891,061
Contributions as a percentage of covered employee payroll	6.85%	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 Three Fiscal Years\*

	<b>2016</b>	<b>2015</b>	<b>2014</b>
County's proportion of the net pension liability (asset) %	1.09128%	1.10071%	1.12857%
County's proportionate share of the net pension liability (asset) \$	\$ (252,893)	\$ (249,489)	\$ (241,063)
County's covered employee payroll	46,233	46,233	46,233
County's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	-547.00%	-539.63%	-521.41%
Plan fiduciary net position as a percentage of the total pension liability	197.29%	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 Three Fiscal Years**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 9,494	\$ 8,732	\$ 8,987
Contributions in relation to the contractually required contribution	9,494	8,732	8,987
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 46,233	\$ 46,233	\$ 46,233
Contributions as a percentage of covered employee payroll	20.54%	18.89%	19.44%



# Major Funds

# General Fund



Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Year Ended June 30, 2016

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes:			
Current period	\$ 42,420,000	\$ 42,642,837	\$ 222,837
Prior years	890,000	930,290	40,290
Interest and penalties	283,000	362,636	79,636
	<u>43,593,000</u>	<u>43,935,763</u>	<u>342,763</u>
Other taxes:			
ABC local bottle tax	30,000	37,282	7,282
Local option sales tax	12,900,000	13,732,288	832,288
Privilege licenses	-	8,478	8,478
	<u>12,930,000</u>	<u>13,778,048</u>	<u>848,048</u>
Permits and fees:			
Sheriff fees	188,300	231,333	43,033
Register of deeds	1,217,200	1,188,340	(28,860)
Franchise fees	470,000	444,138	(25,862)
Building and Inspection Fees	540,000	571,406	31,406
Environmental health fees	280,000	325,552	45,552
Other fees	131,300	342,440	211,140
	<u>2,826,800</u>	<u>3,103,209</u>	<u>276,409</u>
Intergovernmental:			
Restricted:			
Federal and State grants	13,009,238	12,442,791	(566,447)
Lottery proceeds	600,000	600,000	-
Court facilities fees	115,000	110,140	(4,860)
Unrestricted:			
Beer and wine tax	170,000	173,280	3,280
Payments in lieu of taxes	-	196,554	196,554
ABC profits	500,000	703,586	203,586
Croatan National Forest	50,000	40,695	(9,305)
	<u>14,444,238</u>	<u>14,267,046</u>	<u>(177,192)</u>
Sales and services:			
Solid waste	2,500,000	3,299,900	799,900
Civic center fees	222,300	235,719	13,419
Other	391,195	463,308	72,113
	<u>3,113,495</u>	<u>3,998,927</u>	<u>885,432</u>
Interest	<u>250,000</u>	<u>228,148</u>	<u>(21,852)</u>
Miscellaneous:			
Other	109,000	225,215	116,215
	<u>109,000</u>	<u>225,215</u>	<u>116,215</u>
<b>Total revenues</b>	<u><b>77,266,533</b></u>	<u><b>79,536,356</b></u>	<u><b>2,269,823</b></u>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)  
Year Ended June 30, 2016

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
<b>Expenditures</b>			
General government:			
Governing body:			
Salaries and employee benefits		59,095	
Operating expenses		149,624	
Professional services		69,660	
	<b>300,310</b>	<b>278,379</b>	<b>21,931</b>
Administration:			
Salaries and employee benefits		286,995	
Operating expenses		26,118	
	<b>367,740</b>	<b>313,113</b>	<b>54,627</b>
Information systems:			
Salaries and employee benefits		581,156	
Operating expenses		912,932	
Capital outlay		139,878	
	<b>1,675,165</b>	<b>1,633,966</b>	<b>41,199</b>
Finance:			
Salaries and employee benefits		566,206	
Operating expenses		45,206	
	<b>636,170</b>	<b>611,412</b>	<b>24,758</b>
Human resources:			
Salaries and employee benefits		314,036	
Operating expenses		36,577	
	<b>375,190</b>	<b>350,613</b>	<b>24,577</b>
Tax:			
Salaries and employee benefits		849,329	
Operating expenses		65,883	
Contract services		295,614	
	<b>1,249,525</b>	<b>1,210,826</b>	<b>38,699</b>
Revaluation:			
Salaries and employee benefits		198,374	
Operating expenses		5,955	
Capital outlay		17,995	
	<b>243,050</b>	<b>222,324</b>	<b>20,726</b>
Legal:			
Professional services		43,531	
	<b>70,000</b>	<b>43,531</b>	<b>26,469</b>
Court facilities:			
Operating expenses		62,358	
	<b>63,785</b>	<b>62,358</b>	<b>1,427</b>
Elections:			
Salaries and employee benefits		311,249	
Operating expenses		198,741	
	<b>576,225</b>	<b>509,990</b>	<b>66,235</b>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)  
 Year Ended June 30, 2016

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Register of deeds:			
Salaries and employee benefits		295,723	
Operating expenses		237,114	
	<b>650,360</b>	<b>532,837</b>	<b>117,523</b>
Public buildings:			
Salaries and employee benefits		382,093	
Operating expenses		829,805	
Capital outlay		672,466	
	<b>1,946,080</b>	<b>1,884,364</b>	<b>61,716</b>
<b>Total general government</b>	<b>8,153,600</b>	<b>7,653,713</b>	<b>499,887</b>
Public safety:			
Sheriff:			
Salaries and employee benefits		3,541,227	
Operating expenses		701,755	
Contract services		133,197	
Capital outlay		251,661	
	<b>4,861,857</b>	<b>4,627,840</b>	<b>234,017</b>
Sheriff - Jail division:			
Salaries and employee benefits		1,478,155	
Operating expenses		708,591	
Contract services		231,464	
	<b>2,621,667</b>	<b>2,418,210</b>	<b>203,457</b>
Paramedic operations:			
Salaries and employee benefits		766,497	
Operating expenses		138,868	
Capital outlay		61,390	
	<b>977,955</b>	<b>966,755</b>	<b>11,200</b>
Emergency management:			
Salaries and employee benefits		214,848	
Operating expenses		34,381	
Contracted services		45,459	
	<b>321,210</b>	<b>294,688</b>	<b>26,522</b>
Rape crisis program:			
Salaries and employee benefits		196,642	
Operating expenses		32,074	
	<b>233,920</b>	<b>228,716</b>	<b>5,204</b>

(Continued)

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)**  
**Year Ended June 30, 2016**

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Fire Marshall:			
Salaries and employee benefits		106,720	
Operating expenses		21,024	
	<u>128,895</u>	<u>127,744</u>	<u>1,151</u>
Consolidated Communications:			
Salaries and employee benefits		1,351,285	
Operating expenses		204,752	
	<u>1,637,400</u>	<u>1,556,037</u>	<u>81,363</u>
Medical examiner:			
Professional services	<u>64,000</u>	<u>61,050</u>	<u>2,950</u>
Animal control:			
Salaries and employee benefits		184,437	
Operating expenses		312,268	
Capital outlay		37,498	
	<u>578,720</u>	<u>534,203</u>	<u>44,517</u>
<b>Total public safety</b>	<u>11,425,624</u>	<u>10,815,243</u>	<u>610,381</u>
Transportation:			
Harbors:			
Operating expenses		6,442	
Capital outlay		61,036	
	<u>85,000</u>	<u>67,478</u>	<u>17,522</u>
Beaufort-Morehead City Airport Authority	<u>83,955</u>	<u>83,955</u>	<u>-</u>
CCATS:			
Salaries and employee benefits		591,208	
Operating expenses		217,600	
Capital outlay		254,720	
	<u>1,179,420</u>	<u>1,063,528</u>	<u>115,892</u>
<b>Total transportation</b>	<u>1,348,375</u>	<u>1,214,961</u>	<u>133,414</u>
Environmental protection:			
Forest fire control	<u>134,925</u>	<u>119,340</u>	<u>15,585</u>
Tri-County solid waste collections	<u>2,758,525</u>	<u>2,749,885</u>	<u>8,640</u>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)  
Year Ended June 30, 2016

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Public works:			
Salaries and employee benefits		406,121	
Operating expenses		279,141	
Capital outlay		22,419	
	<u>754,975</u>	<u>707,681</u>	<u>47,294</u>
<b>Total environmental protection</b>	<b>3,648,425</b>	<b>3,576,906</b>	<b>71,519</b>
Economic and physical development:			
Special appropriations:			
Economic Development Council		175,000	
Business development		25,000	
	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Beach nourishment:			
Salaries and employee benefits		144,262	
Operating expenses		11,428	
Contract services		486,016	
	<u>1,050,065</u>	<u>641,706</u>	<u>408,359</u>
Planning and zoning:			
Salaries and employee benefits		614,648	
Operating expenses		297,363	
Contract services		15,468	
	<u>1,189,625</u>	<u>927,479</u>	<u>262,146</u>
General services:			
Salaries and employee benefits		56,803	
Operating expenses		255	
	<u>137,155</u>	<u>57,058</u>	<u>80,097</u>
Cooperative extension:			
Salaries and employee benefits		58,834	
Operating expenses		173,899	
	<u>257,615</u>	<u>232,733</u>	<u>24,882</u>
<b>Total economic and physical development</b>	<b>2,834,460</b>	<b>2,058,976</b>	<b>775,484</b>
Human Services:			
Health center:			
Salaries and employee benefits		1,023,437	
Operating expenses		274,138	
Capital outlay		27,933	
	<u>1,467,792</u>	<u>1,325,508</u>	<u>142,284</u>
Breast & Cervical Cancer			
Operating expenses		13,105	
	<u>25,685</u>	<u>13,105</u>	<u>12,580</u>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)  
Year Ended June 30, 2016

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Dental Program			
Salaries and employee benefits		202,579	
Operating expenses		30,720	
Capital outlay		23,871	
	<b>270,822</b>	<b>257,170</b>	<b>13,652</b>
Communicable Diseases			
Salaries and employee benefits		132,237	
Operating expenses		4,165	
	<b>139,290</b>	<b>136,402</b>	<b>2,888</b>
Operating Preparedness and Response			
Salaries and employee benefits		74,875	
Operating expenses		6,122	
	<b>97,600</b>	<b>80,997</b>	<b>16,603</b>
Family Planning			
Salaries and employee benefits		186,974	
Operating expenses		48,607	
	<b>249,800</b>	<b>235,581</b>	<b>14,219</b>
Maternal adult and child health:			
Salaries and employee benefits		229,535	
Operating expenses		12,691	
	<b>348,795</b>	<b>242,226</b>	<b>106,569</b>
Child care coordination:			
Salaries and employee benefits		183,438	
Operating expenses		628	
	<b>186,095</b>	<b>184,066</b>	<b>2,029</b>
Women, infants, and children:			
Administration:			
Salaries and employee benefits		180,711	
Operating expenses		2,784	
	<b>214,859</b>	<b>183,495</b>	<b>31,364</b>
Nutrition:			
Salaries and employee benefits		51,290	
Operating expenses		351	
	<b>52,475</b>	<b>51,641</b>	<b>834</b>
Environmental health:			
Salaries and employee benefits		936,067	
Operating expenses		80,263	
Capital outlay		74,448	
	<b>1,192,437</b>	<b>1,090,778</b>	<b>101,659</b>
Mental health:			
Mental health center and other		198,000	
Mental health, ABC		30,000	
	<b>228,000</b>	<b>228,000</b>	<b>-</b>
DSS administration:			
Salaries and employee benefits		6,286,337	
Operating expenses		981,091	
Capital outlay		41,155	
	<b>7,593,882</b>	<b>7,308,583</b>	<b>285,299</b>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)  
 Year Ended June 30, 2016

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
General assistance:			
Boarding home		241,261	
Clothing and medical expense		15,929	
Special children adoption		11,168	
Childrens Adoption Incentive		12,948	
Ward expense		62,171	
Smart Start day care		41,000	
Miscellaneous		65,338	
	<b>506,900</b>	<b>449,815</b>	<b>57,085</b>
TANF Block grant:			
TANF Block grant		36,006	
Operating expenses		30,300	
	<b>181,000</b>	<b>66,306</b>	<b>114,694</b>
DSS special assistance	<b>3,110,260</b>	<b>2,767,087</b>	<b>343,173</b>
Special projects	<b>761,347</b>	<b>586,718</b>	<b>174,629</b>
Other human services	<b>434,490</b>	<b>383,983</b>	<b>50,507</b>
Veteran services:			
Salaries and employee benefits		252,875	
Operating expenses		59,122	
	<b>352,930</b>	<b>311,997</b>	<b>40,933</b>
Senior center aging programs:			
Salaries and employee benefits		237,225	
Operating expenses		36,961	
Contract services		134,450	
	<b>448,470</b>	<b>408,636</b>	<b>39,834</b>
<b>Total human services</b>	<b>17,862,929</b>	<b>16,312,094</b>	<b>1,550,835</b>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits		508,328	
Operating expenses		220,901	
Contract services		28,891	
	<b>800,205</b>	<b>758,120</b>	<b>42,085</b>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)  
Year Ended June 30, 2016

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Parks and recreation maintenance:			
Salaries and employee benefits		419,069	
Operating expenses		273,797	
Capital outlay		8,015	
	<u>773,840</u>	<u>700,881</u>	<u>72,959</u>
Senior center:			
Salaries and employee benefits		110,757	
Operating expenses		73,182	
Contract services		15,654	
	<u>238,405</u>	<u>199,593</u>	<u>38,812</u>
Carteret County Library:			
Appropriations to Library Systems	1,276,310	1,276,308	2
Civic center:			
Salaries and employee benefits		205,501	
Operating expenses		333,644	
	<u>558,185</u>	<u>539,145</u>	<u>19,040</u>
<b>Total culture and recreation</b>	<b>3,646,945</b>	<b>3,474,047</b>	<b>172,898</b>
Education:			
Public schools, current expense	20,816,000	20,815,852	148
Community college, current expense	2,464,000	2,464,000	-
Community college, capital outlay	276,213	271,197	5,016
<b>Total education</b>	<b>23,556,213</b>	<b>23,551,049</b>	<b>5,164</b>
Debt service:			
Principal retirement	6,505,550	6,393,040	112,510
Interest and fees	1,724,000	1,719,633	4,367
<b>Total debt service</b>	<b>8,229,550</b>	<b>8,112,673</b>	<b>116,877</b>
<b>Total expenditures</b>	<b>80,706,121</b>	<b>76,769,662</b>	<b>3,936,459</b>
<b>Revenues over (under) expenditures</b>	<b>(3,439,588)</b>	<b>2,766,694</b>	<b>6,206,282</b>
<b>Other financing sources (uses)</b>			
Transfers in (out):			
Sale of capital assets			-
From Occupancy Tax Fund	3,617,000	3,439,425	(177,575)
To School Project Fund	(2,403,000)	(2,403,000)	-
To Capital Improvement Fund	(100,000)	(100,000)	-
To Facilities / Debt Reserve Fund	(300,000)	(300,000)	-
To County Construction Projects Fund	(2,600,000)	(2,600,000)	-
To Community College Project Fund	(750,000)	(750,000)	-
To Emergency Telephone System Fund	(14,526)	(14,525)	1
Contingency reserves	(2,594,549)	-	2,594,549
Appropriated fund balance	8,584,663	-	(8,584,663)
<b>Total other financing sources (uses)</b>	<b>3,439,588</b>	<b>(2,728,100)</b>	<b>(6,167,688)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>38,594</b>	<b>\$ 38,594</b>
<b>Fund balance</b>			
Beginning		53,772,347	
Ending		<u>\$ 53,810,941</u>	



Summary of  
Nonmajor Funds

Carteret County, North Carolina

Combining Balance Sheet - Non-major Governmental Fund Types  
June 30, 2016

	Government Fund Types		
	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Assets</b>			
Assets:			
Cash and investments	\$ 1,466,857	\$ 6,643,741	\$ 8,110,598
Restricted cash and investments	2,267,823	4,613,384	6,881,207
Receivables, net	1,167,687	-	1,167,687
<b>Total assets</b>	<b>\$ 4,902,367</b>	<b>\$ 11,257,125</b>	<b>\$ 16,159,492</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 29,739	\$ 415,461	\$ 445,200
Due to other funds	10,500	19,767	30,267
<b>Total liabilities</b>	<b>40,239</b>	<b>435,228</b>	<b>475,467</b>
Deferred inflows of resources	<b>597,960</b>	-	<b>597,960</b>
Fund balances:			
Restricted:			
Public safety	1,238,771	-	1,238,771
Economic development	277,622	-	277,622
Rescue protection	927,601	-	927,601
Fire protection	1,261,069	-	1,261,069
School capital	-	4,512,122	4,512,122
Committed:			
Economic development	-	-	-
Taylor Extended Care	-	267,038	267,038
School capital	-	1,157,070	1,157,070
Community College capital	-	750,000	750,000
Assigned:			
Subsequent year's expenditures	559,105	554,000	1,113,105
County capital	-	3,581,667	3,581,667
<b>Total fund balances</b>	<b>4,264,168</b>	<b>10,821,897</b>	<b>15,086,065</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 4,902,367</b>	<b>\$ 11,257,125</b>	<b>\$ 16,159,492</b>

Carteret County, North Carolina

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -  
 Non-major Governmental Fund Types  
 Year Ended June 30, 2016

	Government Fund Types		
	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Revenues</b>			
Ad valorem taxes	\$ 5,685,759	\$ -	\$ 5,685,759
Other taxes	1,697,170	-	1,697,170
Intergovernmental	664,523	168,320	832,843
Interest	14,242	26,532	40,774
Miscellaneous	-	100,000	100,000
<b>Total revenues</b>	<b>8,061,694</b>	<b>294,852</b>	<b>8,356,546</b>
<b>Expenditures</b>			
Current:			
Public safety	7,276,943	-	7,276,943
Economic and physical development	128,201	-	128,201
Capital outlay	-	6,583,987	6,583,987
<b>Total expenditures</b>	<b>7,405,144</b>	<b>6,583,987</b>	<b>13,989,131</b>
<b>Revenues over (under) expenditures</b>	<b>656,550</b>	<b>(6,289,135)</b>	<b>(5,632,585)</b>
<b>Other financing sources (uses)</b>			
Long term debt issued	-	4,600,000	4,600,000
Long term debt premium	-	463,860	463,860
Transfers in	14,525	6,153,000	6,167,525
Transfers out	(324,000)	-	(324,000)
<b>Total other financing sources (uses)</b>	<b>(309,475)</b>	<b>11,216,860</b>	<b>10,907,385</b>
<b>Net change in fund balance</b>	<b>347,075</b>	<b>4,927,725</b>	<b>5,274,800</b>
<b>Fund balances</b>			
Beginning	3,917,093	5,894,172	9,811,265
Ending	<b>\$ 4,264,168</b>	<b>\$ 10,821,897</b>	<b>\$ 15,086,065</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, 2016

	Rescue Squad Fund	Fire District Fund	Emergency Telephone System Fund
<b>Assets</b>			
Cash and investments	\$ -	\$ -	\$ 1,215,883
Restricted cash and investments	796,088	1,471,735	-
Receivables:			
Property taxes receivable, net	200,590	367,931	-
Accounts receivable	179,802	307,949	44,785
<b>Total assets</b>	<b>\$ 1,176,480</b>	<b>\$ 2,147,615</b>	<b>\$ 1,260,668</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 7,779	\$ 20	\$ 21,897
Due to other funds	-	-	-
<b>Total liabilities</b>	<b>7,779</b>	<b>20</b>	<b>21,897</b>
Deferred inflows of resources	<b>200,590</b>	<b>367,931</b>	<b>-</b>
Fund balances:			
Restricted:			
Public safety	-	-	1,238,771
Economic development	-	-	-
Rescue protection	927,601	-	-
Fire protection	-	1,261,069	-
Assigned:			
Subsequent year's expenditures	40,510	518,595	-
<b>Total fund balances</b>	<b>968,111</b>	<b>1,779,664</b>	<b>1,238,771</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,176,480</b>	<b>\$ 2,147,615</b>	<b>\$ 1,260,668</b>

Salter Path District Fund	Water Tax District Fund	CDBG 2003 Scatter Site Fund	Totals
\$ 53,799	\$ 197,175	\$ -	\$ 1,466,857
-	-	-	2,267,823
-	29,439	-	597,960
528	26,003	10,660	569,727
<b>\$ 54,327</b>	<b>\$ 252,617</b>	<b>\$ 10,660</b>	<b>\$ 4,902,367</b>

\$ -	\$ 43	\$ -	\$ 29,739
-	-	10,500	10,500
-	43	10,500	40,239
-	29,439	-	597,960

-	-	-	1,238,771
54,327	223,135	160	277,622
-	-	-	927,601
-	-	-	1,261,069
-	-	-	559,105
<b>54,327</b>	<b>223,135</b>	<b>160</b>	<b>4,264,168</b>
<b>\$ 54,327</b>	<b>\$ 252,617</b>	<b>\$ 10,660</b>	<b>\$ 4,902,367</b>

Carteret County, North Carolina

Non-major Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2016

	Rescue Squad Fund	Fire District Fund	Emergency Telephone System Fund
<b>Revenues</b>			
Ad valorem taxes	\$ 2,047,904	\$ 3,347,186	\$ -
Other taxes	608,266	1,001,899	-
Intergovernmental	-	-	537,420
Interest	3,102	6,066	4,196
<b>Total revenues</b>	<b>2,659,272</b>	<b>4,355,151</b>	<b>541,616</b>
<b>Expenditures</b>			
Public safety	2,637,178	4,341,233	298,532
Economic and physical development	-	-	-
<b>Total expenditures</b>	<b>2,637,178</b>	<b>4,341,233</b>	<b>298,532</b>
<b>Revenues over (under) expenditures</b>	<b>22,094</b>	<b>13,918</b>	<b>243,084</b>
<b>Other financing sources (uses)</b>			
Transfers in	-	-	14,525
Transfers out	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>14,525</b>
<b>Revenues and other financing sources over expenditures and other financing uses</b>	<b>22,094</b>	<b>13,918</b>	<b>257,609</b>
<b>Fund balances</b>			
Beginning	946,017	1,765,746	981,162
Ending	<b>\$ 968,111</b>	<b>\$ 1,779,664</b>	<b>\$ 1,238,771</b>

<b>Salter Path District Fund</b>	<b>Water Tax District Fund</b>	<b>CDBG 2003 Scatter Site Fund</b>	<b>Totals</b>
\$ 6,561	\$ 284,108	\$ -	\$ 5,685,759
1,861	85,144	-	1,697,170
-	-	127,103	664,523
209	669	-	14,242
<b>8,631</b>	<b>369,921</b>	<b>127,103</b>	<b>8,061,694</b>
-	-	-	7,276,943
-	1,258	126,943	128,201
-	1,258	126,943	7,405,144
<b>8,631</b>	<b>368,663</b>	<b>160</b>	<b>656,550</b>
-	-	-	14,525
-	(324,000)	-	(324,000)
-	(324,000)	-	(309,475)
<b>8,631</b>	<b>44,663</b>	<b>160</b>	<b>347,075</b>
<b>45,696</b>	<b>178,472</b>	<b>-</b>	<b>3,917,093</b>
<b>\$ 54,327</b>	<b>\$ 223,135</b>	<b>\$ 160</b>	<b>\$ 4,264,168</b>

Carteret County, North Carolina

Rescue Squad Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes	\$ 1,970,300	\$ 2,047,904	\$ 77,604
Other taxes:			
Local option sales tax	538,000	608,266	70,266
Interest	-	3,102	3,102
<b>Total revenues</b>	<b>2,508,300</b>	<b>2,659,272</b>	<b>150,972</b>
<b>Expenditures</b>			
Public safety:			
Beaufort	760,625	762,894	(2,269)
Broad and Gales Creek	217,665	218,624	(959)
Mill Creek	74,790	75,118	(328)
Mitchell Village	140,000	140,492	(492)
Otway	187,460	188,129	(669)
Sea Level	246,650	247,373	(723)
Western Carteret	385,980	387,503	(1,523)
District reserves	141,720	112,045	29,675
Local sales tax	505,000	505,000	-
<b>Total expenditures</b>	<b>2,659,890</b>	<b>2,637,178</b>	<b>22,712</b>
<b>Revenues over (under) expenditures</b>	<b>(151,590)</b>	<b>22,094</b>	<b>173,684</b>
<b>Other financing sources</b>			
Appropriated fund balance	151,590	-	151,590
<b>Revenues and other financing sources over expenditures</b>	<b>\$ -</b>	<b>22,094</b>	<b>\$ 22,094</b>
<b>Fund balances</b>			
Beginning		946,017	
Ending		<u>\$ 968,111</u>	

Carteret County, North Carolina

Fire District Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes	\$ 3,220,800	\$ 3,347,186	\$ 126,386
Other taxes:			
Local option sales tax	998,500	1,001,899	3,399
Interest	-	6,066	6,066
<b>Total revenues</b>	<b>4,219,300</b>	<b>4,355,151</b>	<b>135,851</b>
<b>Expenditures</b>			
Public safety:			
Fire Districts:			
Atlantic	64,360	64,532	(172)
Beaufort	316,470	317,615	(1,145)
Broad and Gales Creek	217,665	218,624	(959)
Cedar Island	45,250	45,388	(138)
Davis	62,860	63,088	(228)
Harkers Island	268,515	269,104	(589)
Harlowe	75,225	75,505	(280)
Marshallberg	181,575	182,218	(643)
Mill Creek	30,320	30,470	(150)
Mitchell Village, Crab Point	360,000	361,256	(1,256)
Newport	305,725	307,814	(2,089)
North River	56,340	56,523	(183)
Otway	166,250	166,946	(696)
Salter Path	49,920	50,008	(88)
Sea Level	49,060	49,153	(93)
South River	99,870	100,071	(201)
Stacy	20,495	20,548	(53)
Stella	82,540	82,979	(439)
Western Carteret	432,740	434,325	(1,585)
Wildwood	582,000	583,838	(1,838)
Motor Vehicle Fees	15,000	-	15,000
District reserves	124,875	109,730	15,145
Local sales tax	751,500	751,498	2
<b>Total expenditures</b>	<b>4,358,555</b>	<b>4,341,233</b>	<b>17,322</b>
<b>Revenues over (under) expenditures</b>	<b>(139,255)</b>	<b>13,918</b>	<b>153,173</b>
<b>Other financing sources</b>			
Appropriated fund balance	139,255	-	(139,255)
<b>Revenues and other financing sources over expenditures</b>	<b>\$ -</b>	<b>13,918</b>	<b>\$ 13,918</b>
<b>Fund balances</b>			
Beginning		1,765,746	
Ending		<u>\$ 1,779,664</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, 2016

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$ 537,420	\$ 537,420	\$ -
Interest	-	4,196	4,196
<b>Total revenues</b>	<b>537,420</b>	<b>541,616</b>	<b>4,196</b>
<b>Expenditures</b>			
Public safety:			
Operating expenses	329,100	223,992	105,108
Contracted services	513,310	38,552	474,758
Capital outlay	162,000	35,988	126,012
<b>Total expenditures</b>	<b>1,004,410</b>	<b>298,532</b>	<b>705,878</b>
<b>Revenues over (under) expenditures</b>	<b>(466,990)</b>	<b>243,084</b>	<b>710,074</b>
<b>Other financing sources (uses)</b>			
Transfer from General Fund	-	14,525	14,525
Contingency	(24,846)	-	24,846
Appropriated fund balance	491,836	-	(491,836)
<b>Total other financing sources (uses)</b>	<b>466,990</b>	<b>14,525</b>	<b>(452,465)</b>
<b>Revenues and other financing sources over expenditures</b>	<b>\$ -</b>	<b>257,609</b>	<b>\$ 257,609</b>
<b>Fund balances</b>			
Beginning		981,162	
Ending		<u>\$ 1,238,771</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, 2016

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes	\$ 6,100	\$ 6,561	\$ 461
Other taxes:			
Local option sales tax	1,900	1,861	(39)
Interest	-	209	209
<b>Total revenues</b>	<u>8,000</u>	<u>8,631</u>	<u>631</u>
<b>Expenditures</b>			
Economic and physical development:			
Beach nourishment	8,000	-	8,000
<b>Total expenditures</b>	<u>8,000</u>	<u>-</u>	<u>8,000</u>
<b>Revenues over expenditures</b>	<u>\$ -</u>	<u>8,631</u>	<u>\$ 8,631</u>
<b>Fund balances</b>			
Beginning		<u>45,696</u>	
Ending		<u>\$ 54,327</u>	

Carteret County, North Carolina

Water Tax District Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes	\$ 253,000	\$ 284,108	\$ 31,108
Other taxes:			
Local option sales tax	79,000	85,144	6,144
Interest	-	669	669
<b>Total revenues</b>	<b>332,000</b>	<b>369,921</b>	<b>37,921</b>
<b>Expenditures</b>			
Economic and Physical Development:			
Operating expenses	1,000	1,258	(258)
<b>Total expenditures</b>	<b>1,000</b>	<b>1,258</b>	<b>(258)</b>
<b>Revenues over expenditures</b>	<b>331,000</b>	<b>368,663</b>	<b>37,663</b>
<b>Other financing uses</b>			
Transfers out	(324,000)	(324,000)	-
Contingency	(7,000)	-	7,000
<b>Total other financing uses</b>	<b>(331,000)</b>	<b>(324,000)</b>	<b>7,000</b>
<b>Revenues over other financing uses</b>	<b>\$ -</b>	<b>44,663</b>	<b>\$ 44,663</b>
<b>Fund balances</b>			
Beginning		178,472	
Ending		<b>\$ 223,135</b>	

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, 2016

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
<b>Revenues</b>				
Intergovernmental:				
Community Development Block Grant	\$ 225,000	\$ 37,998	\$ 127,103	\$ 165,101
<b>Total revenues</b>	<b>225,000</b>	<b>37,998</b>	<b>127,103</b>	<b>165,101</b>
<b>Expenditures</b>				
Economic and Physical Development:				
C-1 Rehabilitation	182,700	18,263	111,431	129,694
C-1 Administration	20,300	14,235	7,087	21,322
L-1 Rehabilitation	20,000	5,500	8,425	13,925
L-1 Administration	2,000	-	-	-
<b>Total expenditures</b>	<b>225,000</b>	<b>37,998</b>	<b>126,943</b>	<b>164,941</b>
<b>Revenues over     expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>160</b>	<b>\$ 160</b>
<b>Fund balances</b>				
Beginning			-	
Ending			<b>\$ 160</b>	



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, 2016

	County Capital Reserve Fund	County Capital Improvements Fund	County Facilities Debt Reserve Fund
<b>Assets</b>			
Cash and investments	\$ 737,234	\$ 1,053,669	\$ 300,904
<b>Total assets</b>	<b>\$ 737,234</b>	<b>\$ 1,053,669</b>	<b>\$ 300,904</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ 131,495	\$ -
Due to other funds	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>131,495</b>	<b>-</b>
Fund balances :			
Restricted:			
School capital	-	-	-
Committed:			
Economic development	-	-	-
Taylor Extended Care	-	267,038	-
School capital	-	-	-
Community College capital	-	-	-
Assigned:			
Subsequent year's expenditures	-	554,000	-
County capital	737,234	101,136	300,904
<b>Total fund balances</b>	<b>737,234</b>	<b>922,174</b>	<b>300,904</b>
<b>Total liabilities and fund balances</b>	<b>\$ 737,234</b>	<b>\$ 1,053,669</b>	<b>\$ 300,904</b>

School Special Projects Fund	County Construction Projects Fund	2015 School Bond Project Fund	Carteret Community College Fund	Totals
\$ 1,354,057	\$ 2,447,877	\$ 4,613,384	\$ 750,000	\$ 11,257,125
\$ 1,354,057	\$ 2,447,877	\$ 4,613,384	\$ 750,000	\$ 11,257,125
\$ 196,987	\$ 5,484	\$ 81,495	\$ -	\$ 415,461
-	-	19,767	-	19,767
196,987	5,484	101,262	-	435,228
-	-	4,512,122	-	4,512,122
-	-	-	-	-
-	-	-	-	267,038
1,157,070	-	-	-	1,157,070
-	-	-	750,000	750,000
-	-	-	-	554,000
-	2,442,393	-	-	3,581,667
1,157,070	2,442,393	4,512,122	750,000	10,821,897
\$ 1,354,057	\$ 2,447,877	\$ 4,613,384	\$ 750,000	\$ 11,257,125

Carteret County, North Carolina

Non-major Capital Projects Fund

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2016

	County Capital Reserve Fund	County Capital Improvements Fund	County Facilities / Debt Reserve Fund
<b>Revenues</b>			
Intergovernmental	\$ -	\$ 168,320	\$ -
Interest	2,640	7,777	904
Miscellaneous	-	100,000	-
<b>Total revenues</b>	<b>2,640</b>	<b>276,097</b>	<b>904</b>
<b>Expenditures</b>			
Capital outlay	-	2,482,864	-
<b>Revenues over (under) expenditures</b>	<b>2,640</b>	<b>(2,206,767)</b>	<b>904</b>
<b>Other financing sources</b>			
Transfers in	-	100,000	300,000
Long-term debt issued	-	-	-
Long-term debt premium	-	-	-
<b>Total other financing sources</b>	<b>-</b>	<b>100,000</b>	<b>300,000</b>
<b>Revenues and other financing sources over (under) expenditures</b>	<b>2,640</b>	<b>(2,106,767)</b>	<b>300,904</b>
<b>Fund balances</b>			
Beginning	734,594	3,028,941	-
Ending	<b>\$ 737,234</b>	<b>\$ 922,174</b>	<b>\$ 300,904</b>

School Special Projects Fund	County Construction Projects Fund	2015 School Bond Projects Fund	Morehead Elementary School Fund	Carteret Community College Fund	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 168,320
5,882	-	9,329	-	-	26,532
-	-	-	-	-	100,000
5,882	-	9,329	-	-	294,852
3,326,523	157,607	561,067	55,926	-	6,583,987
(3,320,641)	(157,607)	(551,738)	(55,926)	-	(6,289,135)
2,403,000	2,600,000	-	-	750,000	6,153,000
-	-	4,600,000	-	-	4,600,000
-	-	463,860	-	-	463,860
2,403,000	2,600,000	5,063,860	-	750,000	11,216,860
(917,641)	2,442,393	4,512,122	(55,926)	750,000	4,927,725
2,074,711	-	-	55,926	-	5,894,172
\$ 1,157,070	\$ 2,442,393	\$ 4,512,122	\$ -	\$ 750,000	\$ 10,821,897

Carteret County, North Carolina

County Capital Reserve Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Year Ended June 30, 2016

	Budget	Actual	Variance Positive
<b>Revenues</b>			
Interest	\$ -	\$ 2,640	\$ 2,640
<b>Revenues over expenditures</b>	<u>\$ -</u>	<u>2,640</u>	<u>2,640</u>
<b>Fund balances</b>			
Beginning		<u>734,594</u>	
Ending		<u>\$ 737,234</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, 2016

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$ 350,000	\$ 168,320	\$ (181,680)
Interest	5,000	7,777	2,777
Miscellaneous	100,000	100,000	-
<b>Total revenues</b>	<b>455,000</b>	<b>276,097</b>	<b>(178,903)</b>
<b>Expenditures</b>			
Capital outlay:			
Aerial Pictometry	75,535	74,938	597
Courthouse Security	58,285	53,256	5,029
Waterway dredging	61,335	61,000	335
Taylor Extended Care Improvements	336,000	318,535	17,465
Park lighting	1,199,000	1,195,534	3,466
Freedom Park improvements	150,000	39,457	110,543
Swinson Park improvements	350,000	168,320	181,680
Salter Path Park improvements	25,000	22,858	2,142
Newport Park match	50,000	50,000	-
Atlantic Beach Park Contribution	400,000	400,000	-
Salter Path / Radio Island beach access	151,715	98,966	52,749
<b>Total expenditures</b>	<b>2,856,870</b>	<b>2,482,864</b>	<b>374,006</b>
<b>Revenues over (under) expenditures</b>	<b>(2,401,870)</b>	<b>(2,206,767)</b>	<b>195,103</b>
<b>Other financing sources</b>			
Transfer from General Fund	100,000	100,000	-
Fund Balance Appropriated	2,301,870	-	(2,301,870)
<b>Total other financing sources</b>	<b>2,401,870</b>	<b>100,000</b>	<b>(2,301,870)</b>
<b>Revenues and other financing sources (under) expenditures</b>	<b>\$ -</b>	<b>(2,106,767)</b>	<b>\$ (2,106,767)</b>
<b>Fund balances</b>			
Beginning		3,028,941	
Ending		<u>\$ 922,174</u>	

Carteret County, North Carolina

County Facilities / Debt Reserve Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Interest	\$ -	\$ 904	\$ 904
<b>Total revenues</b>	<b>-</b>	<b>904</b>	<b>904</b>
<b>Expenditures</b>			
Capital outlay:			
Future Projects / Capital Debt	300,000	-	300,000
<b>Total expenditures</b>	<b>300,000</b>	<b>-</b>	<b>300,000</b>
<b>Revenues over (under) expenditures</b>	<b>(300,000)</b>	<b>904</b>	<b>300,904</b>
<b>Other financing sources</b>			
Transfer from General Fund	300,000	300,000	-
<b>Total other financing sources</b>	<b>300,000</b>	<b>300,000</b>	<b>-</b>
<b>Revenues and other financing sources over expenditures</b>	<b>\$ -</b>	<b>300,904</b>	<b>\$ 300,904</b>
<b>Fund balances</b>			
Beginning		-	
Ending		<u><u>\$ 300,904</u></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, 2016

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Interest	\$ -	\$ 5,882	\$ 5,882
<b>Total revenues</b>	<b>-</b>	<b>5,882</b>	<b>5,882</b>
<b>Expenditures</b>			
Capital outlay, Board of Education	4,412,300	3,326,523	1,085,777
<b>Revenues under expenditures</b>	<b>(4,412,300)</b>	<b>(3,320,641)</b>	<b>1,091,659</b>
<b>Other financing sources</b>			
Transfer from other funds	2,403,000	2,403,000	-
Fund balance appropriated	2,009,300	-	(2,009,300)
<b>Total other financing sources</b>	<b>4,412,300</b>	<b>2,403,000</b>	<b>(2,009,300)</b>
<b>Revenues and other financing sources (under) expenditures</b>	<b>\$ -</b>	<b>(917,641)</b>	<b>\$ (917,641)</b>
<b>Fund balances</b>			
Beginning		2,074,711	
Ending		<u>\$ 1,157,070</u>	

**Carteret County, North Carolina**

**County Construction Projects Fund**

**Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual  
From Inception and for the Year Ended June 30, 2016**

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
<b>Expenditures</b>				
Capital outlay:				
General services construction	2,230,000	-	-	-
Professional services / design	195,000	-	157,607	157,607
Furnishings	100,000	-	-	-
<b>Total Expenditures</b>	<b>2,525,000</b>	<b>-</b>	<b>157,607</b>	<b>157,607</b>
<b>Revenue over (under) expenditures</b>	<b>(2,525,000)</b>	<b>-</b>	<b>(157,607)</b>	<b>(157,607)</b>
<b>Other financing sources (uses)</b>				
Transfer in from other funds	2,600,000	-	2,600,000	2,600,000
Contingency	(75,000)	-	-	-
<b>Total other financing sources</b>	<b>2,525,000</b>	<b>-</b>	<b>2,600,000</b>	<b>2,600,000</b>
<b>Revenue and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>2,442,393</b>	<b>\$ 2,442,393</b>
<b>Fund balance</b>				
Beginning			-	
Ending			<b>\$ 2,442,393</b>	

Carteret County, North Carolina

2015 School Bond Project Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
From Inception and for the Year Ended June 30, 2016

	Amended Project Estimate	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues</b>				
Interest	\$ -	\$ -	\$ 9,329	\$ 9,329
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>9,329</b>	<b>9,329</b>
<b>Expenditures</b>				
Current:				
Building improvements	4,868,860	-	387,897	387,897
Technology improvements	45,000	-	44,286	44,286
Construction management	50,000	-	46,665	46,665
Issuance cost	100,000	-	82,219	82,219
<b>Total expenditures</b>	<b>5,063,860</b>	<b>-</b>	<b>561,067</b>	<b>561,067</b>
<b>Revenues under expenditures</b>	<b>(5,063,860)</b>	<b>-</b>	<b>(551,738)</b>	<b>(551,738)</b>
<b>Other financing sources (uses)</b>				
Long-term debt issued	4,600,000	-	4,600,000	4,600,000
Bond premium	463,860	-	463,860	463,860
<b>Total other financing sources (uses)</b>	<b>5,063,860</b>	<b>-</b>	<b>5,063,860</b>	<b>5,063,860</b>
<b>Revenues over (under) expenditures and other sources</b>	<b>\$ -</b>	<b>\$ -</b>	<b>4,512,122</b>	<b>\$ 4,512,122</b>
<b>Fund balances:</b>				
Beginning			-	
Ending			<u>\$ 4,512,122</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, 2016

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
<b>Revenues</b>				
Intergovernmental	\$ 35,690	\$ 35,693	\$ -	\$ 35,693
Interest	77,610	77,602	-	77,602
<b>Total revenues</b>	<b>113,300</b>	113,295	-	113,295
<b>Expenditures</b>				
Capital outlay:				
Building Improvements Morehead	2,113,300	2,057,370	55,926	2,113,296
Building Improvements Newport	1,781,354	1,781,353	-	1,781,353
<b>Total expenditures</b>	<b>3,894,654</b>	3,838,723	55,926	3,894,649
<b>Revenues under expenditures</b>	<b>(3,781,354)</b>	(3,725,428)	(55,926)	(3,781,354)
<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>	\$ 55,926	(55,926)	\$ -
<b>Fund balances</b>				
Beginning			55,926	
Ending			<u>\$ -</u>	

Carteret County, North Carolina

Carteret Community College Project Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
From Inception and for the Year Ended June 30, 2016

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
<b>Expenditures</b>				
Capital outlay:				
Building Improvements	\$ 1,410,000	\$ -	\$ -	\$ -
Land	750,000	-	-	-
<b>Total expenditures</b>	<b>2,160,000</b>	-	-	-
<b>Revenues (under) expenditures</b>	<b>(2,160,000)</b>	-	-	-
<b>Other financing sources</b>				
Transfer from other funds	2,160,000	-	750,000	750,000
<b>Revenues and other     financing sources     over expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>750,000</b>	<b>\$ 750,000</b>
<b>Fund balances</b>				
Beginning			-	
Ending			<u>\$ 750,000</u>	



# Enterprise Funds

Carteret County, North Carolina

Water Operating Fund

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)

Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
<b>Revenues, Operating</b>			
Charges for services	\$ 569,000	\$ 576,598	\$ 7,598
<b>Total operating revenues</b>	<b>569,000</b>	<b>576,598</b>	<b>7,598</b>
<b>Expenditures, Operating</b>			
Cost of sales and services:			
Salaries and benefits	298,160	263,247	34,913
Operating expense	342,760	291,486	51,274
<b>Total operating expenditures</b>	<b>640,920</b>	<b>554,733</b>	<b>86,187</b>
<b>Operating revenues over (under) operating expenditures</b>	<b>(71,920)</b>	<b>21,865</b>	<b>93,785</b>
<b>Nonoperating Revenues (Expenditures)</b>			
Interest earnings	2,000	3,647	1,647
Interest payments	(77,500)	(76,557)	943
Principal payments	(187,080)	(187,032)	48
<b>Total nonoperating revenues (expenditures)</b>	<b>(262,580)</b>	<b>(259,942)</b>	<b>2,638</b>
<b>Revenues under expenditures</b>	<b>(334,500)</b>	<b>(238,077)</b>	<b>96,423</b>
<b>Other Financing Sources (Uses)</b>			
Transfer from other funds	324,000	324,000	-
Contingency	(28,000)	-	28,000
Appropriated fund balance	38,500	-	(38,500)
<b>Total other financing sources</b>	<b>334,500</b>	<b>324,000</b>	<b>(10,500)</b>
<b>Revenues and other financing sources over expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ 85,923</b>	<b>\$ 85,923</b>

Reconciliation of modified accrual basis to full accrual basis:

Revenues and other financing uses over expenditures	\$ 85,923
Decrease in debt interest accrued	849
Increase in accrued vacation pay	(758)
Depreciation	(420,441)
Decrease in net pension asset	(18,179)
Decrease in deferred outflows of resources pensions	(802)
Increase in net pension liability	(12,666)
Decrease in deferred inflows of resources pensions	37,719
Principal on debt	187,032
<b>Change in net position</b>	<b>\$ (141,323)</b>



# Agency Funds



Carteret County, North Carolina

Agency Funds

Combining Statement of Changes in Fiduciary Net Position  
June 30, 2016

	Sheriff's Department Fund	Social Services Trust Fund	Deed of Trust Agency	Cooperative Extension Agency	Totals
<b>Assets</b>					
Cash	\$ 23,190	\$ 38,947	\$ 7,440	\$ 28,360	\$ 97,937
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 23,190	\$ 38,947	\$ 7,440	\$ 28,360	\$ 97,937

**Carteret County, North Carolina**

**Agency Funds**

**Combining Statement of Changes in Assets and Liabilities  
Year Ended June 30, 2016**

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<b>Sheriff's Department Fund:</b>				
Assets, cash	\$ 26,297	\$ 382,079	\$ 385,186	\$ 23,190
Liabilities	\$ 26,297	\$ 382,079	\$ 385,186	\$ 23,190
<b>Social Services Trust Fund:</b>				
Assets, cash	\$ 85,549	\$ 186,856	\$ 233,458	\$ 38,947
Liabilities	\$ 85,549	\$ 186,856	\$ 233,458	\$ 38,947
<b>Deed of Trust Agency:</b>				
Assets, cash	\$ 6,734	\$ 80,991	\$ 80,285	\$ 7,440
Liabilities	\$ 6,734	\$ 80,991	\$ 80,285	\$ 7,440
<b>Cooperative Extension Agency:</b>				
Assets, cash	\$ 34,335	\$ 13,234	\$ 19,209	\$ 28,360
Liabilities	\$ 34,335	\$ 13,234	\$ 19,209	\$ 28,360
<b>Totals - All Agency Funds:</b>				
Assets, cash	\$ 152,915	\$ 663,160	\$ 718,138	\$ 97,937
Liabilities:				
Accounts payable and accrued liabilities	\$ 152,915	\$ 663,160	\$ 718,138	\$ 97,937



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, 2016**

	<b>2016</b>	<b>2015</b>
Governmental funds capital assets:		
Land, airport	\$ 169,549	\$ 169,549
Land, other	6,044,250	5,450,179
Construction in progress	157,607	-
Buildings	27,603,233	27,463,802
Vehicles	5,527,166	4,883,432
Equipment	7,883,944	7,364,986
Airport facilities	1,524,747	1,524,747
Other improvements	11,641,872	10,346,203
Leasehold improvements	2,590,428	2,590,428
<b>Total governmental funds capital assets</b>	<b>\$ 63,142,796</b>	<b>\$ 59,793,326</b>
Investment in governmental funds capital assets		
General Fund	\$ 56,022,224	\$ 54,174,743
Capital Project Funds	7,120,572	5,618,583
<b>Total investment in governmental funds capital assets</b>	<b>\$ 63,142,796</b>	<b>\$ 59,793,326</b>

Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity

June 30, 2016

<b>Function and Activity</b>	<b>Land</b>	<b>Buildings</b>	<b>Vehicles</b>	<b>Equipment</b>
<b>General Government:</b>				
County Administration	\$ -	\$ -	\$ -	\$ 25,802
Tax Administration	252,425	114,001	104,732	273,584
Register of Deeds	-	17,665	-	265,779
Elections	-	-	-	505,242
Information Technology	-	-	-	1,319,379
Public Buildings	2,051,949	7,694,044	149,422	18,230
Other	-	-	-	27,419
<b>Total General Government</b>	<b>2,304,374</b>	<b>7,825,710</b>	<b>254,154</b>	<b>2,435,435</b>
<b>Public Safety:</b>				
Law Enforcement	417,991	8,614,309	1,798,604	400,950
Emergency Services	43,000	16,850	510,189	3,421,101
<b>Total Public Safety</b>	<b>460,991</b>	<b>8,631,159</b>	<b>2,308,793</b>	<b>3,822,051</b>
Transportation	230,585	-	1,128,922	-
Environmental Protection	153,875	64,308	436,477	376,091
Economic and Physical Development	111,178	-	143,905	131,523
Human Services	303,776	7,248,928	973,258	620,717
Culture and Recreation	2,649,020	3,833,128	281,657	498,127
<b>Total governmental funds capital assets</b>	<b>\$ 6,213,799</b>	<b>\$ 27,603,233</b>	<b>\$ 5,527,166</b>	<b>\$ 7,883,944</b>

Airport Facilities	Other Improvements	Leasehold Improvements	Construction in Progress	Total
\$ -	\$ -	\$ -	\$ -	\$ 25,802
-	-	-	-	744,742
-	16,000	-	-	299,444
-	-	-	-	505,242
-	116,944	-	-	1,436,323
-	2,514,362	-	-	12,428,007
-	-	-	-	27,419
-	2,647,306	-	-	15,466,979
-	589,491	-	-	11,821,345
-	-	1,108,727	-	5,099,867
-	589,491	1,108,727	-	16,921,212
1,524,747	41,142	-	-	2,925,396
-	97,560	-	157,607	1,285,918
-	-	-	-	386,606
-	30,000	-	-	9,176,679
-	8,236,373	1,481,701	-	16,980,006
\$ 1,524,747	\$ 11,641,872	\$ 2,590,428	\$ 157,607	\$ 63,142,796

Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes by Function and Activity  
Year Ended June 30, 2016

Function and Activity	Governmental Funds				Governmental Funds
	Capital Assets June 30, 2015	Additions	Deductions	Transfers	Capital Assets June 30, 2016
General Government:					
County administration	\$ 25,802	\$ -	\$ -	\$ -	\$ 25,802
Tax administration	726,747	17,995	-	-	744,742
Register of Deeds	299,444	-	-	-	299,444
Elections	505,242	-	-	-	505,242
Information technology	1,296,445	139,878	-	-	1,436,323
Public buildings	11,755,541	672,466	-	-	12,428,007
Other	27,419	-	-	-	27,419
<b>Total General Government</b>	<b>14,636,640</b>	<b>830,339</b>	<b>-</b>	<b>-</b>	<b>15,466,979</b>
Public Safety:					
Law enforcement	11,594,868	251,660	25,183	-	11,821,345
Emergency services	4,942,406	172,877	15,416	-	5,099,867
<b>Total Public Safety</b>	<b>16,537,274</b>	<b>424,537</b>	<b>40,599</b>	<b>-</b>	<b>16,921,212</b>
Transportation	2,609,640	315,756	-	-	2,925,396
Environmental protection	1,105,892	180,026	-	-	1,285,918
Economic and physical development	386,606	-	-	-	386,606
Human services	9,009,272	167,407	-	-	9,176,679
Culture and recreation	15,508,002	1,472,004	-	-	16,980,006
<b>Total governmental funds capital assets</b>	<b>\$ 59,793,326</b>	<b>\$ 3,390,069</b>	<b>\$ 40,599</b>	<b>\$ -</b>	<b>\$ 63,142,796</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, 2016**

Fiscal Year	Uncollected Balance June 30, 2015	Additions	Collections	Adjustments	Uncollected Balance June 30, 2016
2015-2016	\$ -	\$ 43,572,880	\$ 42,642,837	\$ (76,175)	\$ 853,868
2014-2015	997,063	-	443,590	(24,848)	528,625
2013-2014	538,459	-	165,406	1,274	374,327
2012-2013	407,200	-	102,268	4,206	309,138
2011-2012	298,730	-	75,943	10,376	233,163
2010-2011	177,556	-	41,780	7,210	142,986
2009-2010	146,784	-	40,402	8,661	115,043
2008-2009	117,178	-	24,516	(6,346)	86,316
2007-2008	73,343	-	17,976	(7,789)	47,578
2006-2007	71,934	-	18,014	(45,485)	8,435
2005-2006	6,919	-	395	-	6,524
	<u>\$ 2,835,166</u>	<u>\$ 43,572,880</u>	<u>\$ 43,573,127</u>	<u>\$ (128,916)</u>	<u>2,706,003</u>
Less write-off 2004-2005 tax year					<u>(6,524)</u>
					<u>2,699,479</u>
Less allowance for uncollectible ad valorem taxes receivable					<u>194,613</u>
<b>Net property taxes receivable - General Fund</b>					<u><b>\$ 2,504,866</b></u>
Reconciliation with revenue: Ad valorem taxes - General Fund					<u><b>\$ 43,573,127</b></u>

Carteret County, North Carolina

Analysis of Current Year's Tax Levy  
Year Ended June 30, 2016

	<u>County Wide</u>		<u>Total Levy</u>		
	<u>Property</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property</u>	<u>Registered</u>
	<u>Valuation</u>			<u>Excluding</u>	<u>Motor Vehicles</u>
				<u>Registered</u>	<u>Motor Vehicles</u>
				<u>Motor Vehicles</u>	<u>Registered</u>
				<u>Motor Vehicles</u>	<u>Motor Vehicles</u>
Original levy:					
Property taxed at current year's rate	\$ 14,524,293,333	0.30	\$ 43,572,880	\$ 41,487,545	\$ 2,085,335
<b>Total</b>	<b>14,524,293,333</b>		<b>43,572,880</b>	<b>41,487,545</b>	<b>2,085,335</b>
Discoveries:					
Current year taxes	44,245,333		132,736	132,736	-
Corrections	1,137,333		3,412	3,412	-
<b>Total</b>	<b>45,382,666</b>		<b>136,148</b>	<b>136,148</b>	<b>-</b>
Abatements	(70,774,333)		(212,323)	(212,323)	-
<b>Total property valuation</b>	<b>\$ 14,498,901,666</b>				
Net levy-General Fund			43,496,705	41,411,370	2,085,335
Uncollected taxes at June 30, 2016 - General Fund			853,868	853,868	-
Current year's taxes collected - General Fund			\$ 42,642,837	\$ 40,557,502	\$ 2,085,335
Current levy collection percentage - General Fund			98.04%	97.94%	100.00%



# 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>
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<b>Financial Trends</b>	<b>162</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>176</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>188</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>195</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>200</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			
	2007	2008	2009	2010
Governmental activities				
Net investment in capital assets	\$ 22,287,747	\$ 21,792,965	\$ 22,484,382	\$ 24,050,669
Restricted	7,127,547	10,233,675	13,043,008	15,431,921
Unrestricted	(12,037,832)	(24,226,402)	(28,471,360)	(32,695,396)
<b>Total governmental activities     net position</b>	<b>\$ 17,377,462</b>	<b>\$ 7,800,238</b>	<b>\$ 7,056,030</b>	<b>\$ 6,787,194</b>
Business-type activities				
Net investment in capital assets	\$ 3,665,231	\$ 3,557,690	\$ 3,634,160	\$ 4,098,772
Unrestricted	392,417	548,951	553,518	190,973
<b>Total business-type activities</b>	<b>\$ 4,057,648</b>	<b>\$ 4,106,641</b>	<b>\$ 4,187,678</b>	<b>\$ 4,289,745</b>
Primary government				
Net investment in capital assets	\$ 25,952,978	\$ 25,350,655	\$ 26,118,542	\$ 28,149,441
Restricted	7,127,547	10,233,675	13,043,008	15,431,921
Unrestricted	(11,645,415)	(23,677,451)	(27,917,842)	(32,504,423)
<b>Total primary government     net position</b>	<b>\$ 21,435,110</b>	<b>\$ 11,906,879</b>	<b>\$ 11,243,708</b>	<b>\$ 11,076,939</b>

Schedule 1

2011	2012	2013	2014	2015	2016
\$ 26,022,027	\$ 26,469,612	\$ 25,250,857	\$ 23,480,626	\$ 22,736,938	\$ 24,089,921
24,524,242	24,685,705	17,586,592	20,852,514	23,967,802	31,480,559
(41,158,484)	(33,049,640)	(23,716,266)	(14,716,290)	(8,948,033)	(9,879,406)
\$ 9,387,785	\$ 18,105,677	\$ 19,121,183	\$ 29,616,850	\$ 37,756,707	\$ 45,691,074
\$ 4,079,804	\$ 5,416,107	\$ 5,558,997	\$ 5,353,434	\$ 5,133,724	\$ 4,900,315
516,359	(851,225)	656,050	700,030	816,057	908,143
\$ 4,596,163	\$ 4,564,882	\$ 6,215,047	\$ 6,053,464	\$ 5,949,781	\$ 5,808,458
\$ 30,101,831	\$ 31,885,719	\$ 30,809,854	\$ 28,834,060	\$ 27,870,662	\$ 28,990,236
24,524,242	24,685,705	17,586,592	20,852,514	23,967,802	31,480,559
(40,642,125)	(33,900,865)	(23,060,216)	(14,016,260)	(8,131,976)	(8,971,263)
\$ 13,983,948	\$ 22,670,559	\$ 25,336,230	\$ 35,670,314	\$ 43,706,488	\$ 51,499,532

**Carteret County, North Carolina**

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

	Fiscal Year			
	2007	2008	2009	2010
<b>Expenses</b>				
Governmental activities:				
General government	\$ 6,133,328	\$ 6,254,064	\$ 6,558,268	\$ 6,369,989
Public safety	14,263,740	16,381,281	16,599,129	16,919,404
Transportation	979,342	892,718	858,784	907,113
Economic and physical development	5,543,270	4,848,724	5,207,919	4,469,445
Environmental protection	2,916,754	2,914,590	3,105,363	3,130,735
Human Services	15,939,574	16,656,957	16,302,247	15,071,578
Cultural and recreation	2,990,410	3,355,687	3,182,526	4,198,808
Education	30,048,298	47,189,262	35,465,104	31,982,375
Interest on long term debt	2,934,102	3,690,063	3,493,485	3,197,911
<b>Total governmental activities</b>	<b>81,748,818</b>	<b>102,183,346</b>	<b>90,772,825</b>	<b>86,247,358</b>
Business-type activities:				
Water	728,319	813,171	934,919	798,432
<b>Total primary government expenses</b>	<b>\$ 82,477,137</b>	<b>\$ 102,996,517</b>	<b>\$ 91,707,744</b>	<b>\$ 87,045,790</b>

(Continued)

2011	2012	2013	2014	2015	2016
\$ 6,290,765	\$ 5,926,629	\$ 5,946,901	\$ 6,442,611	\$ 6,949,982	\$ 7,278,369
19,094,741	17,566,816	18,335,600	18,792,650	19,162,990	18,561,573
1,107,365	1,288,106	2,447,821	1,076,768	1,442,425	1,066,561
4,925,627	6,917,827	12,020,756	5,031,505	5,538,785	7,064,127
3,274,042	4,032,723	3,150,593	3,158,629	3,417,029	2,060,267
15,713,990	15,880,099	15,277,891	15,324,864	15,635,355	16,754,822
2,108,234	3,469,307	3,485,610	3,783,152	3,711,166	4,452,951
28,623,466	25,368,980	25,364,930	24,135,533	27,466,650	27,494,565
3,087,406	2,794,930	2,095,322	2,097,621	1,596,808	1,594,653
84,225,636	83,245,417	88,125,424	79,843,333	84,921,190	86,327,888
849,324	815,298	909,307	1,027,308	983,971	1,045,568
\$ 85,074,960	\$ 84,060,715	\$ 89,034,731	\$ 80,870,641	\$ 85,905,161	\$ 87,373,456

**Carteret County, North Carolina**

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

	Fiscal Year			
	2007	2008	2009	2010
<b>Program Revenues</b>				
Governmental activities				
Charges for services:				
General government	\$ 2,136,825	\$ 1,917,552	\$ 1,561,770	\$ 1,477,628
Public safety	197,975	232,885	174,213	162,804
Transportation	93,686	86,039	95,664	125,360
Economic and physical development	909,245	650,171	414,507	435,466
Environmental protection	2,209,037	2,229,849	2,247,269	2,243,091
Human services	616,532	564,816	415,474	382,602
Cultural and recreation	287,314	222,019	203,376	213,789
Operating grants and contributions:				
General government	375,440	52,670	68,319	38,218
Public safety	414,350	736,971	1,408,259	1,264,069
Transportation	377,847	315,952	389,394	403,443
Economic and physical development	1,394,075	82,939	848,310	665,788
Environmental protection	-	342,511	16,114	22,176
Human services	7,595,165	8,637,735	8,402,963	8,494,321
Cultural and recreation	1,680	1,165	-	7,365
Education	160,871	290,335	136,401	148,415
Interest on long term debt	850,000	850,000	1,377,380	700,000
Capital grants and contributions:				
Public safety	-	-	-	-
Transportation	-	63,694	-	-
Economic and physical development	-	-	158,668	-
Cultural and recreation	-	-	1,134,485	236,993
Education	-	-	387,070	-
<b>Total governmental activities program revenues</b>	<b>17,620,042</b>	<b>17,277,303</b>	<b>19,439,636</b>	<b>17,021,528</b>

(Continued)

	2011	2012	2013	2014	2015	2016
\$	1,486,751	\$ 1,642,152	\$ 1,638,250	\$ 1,552,817	\$ 1,612,251	\$ 1,768,252
	186,134	173,546	308,908	293,299	212,708	290,455
	327,244	225,239	184,316	193,228	177,027	135,956
	511,550	575,489	611,160	513,351	544,236	646,629
	2,214,925	2,189,986	2,198,355	2,398,662	2,431,367	3,299,900
	330,817	346,126	334,799	370,946	367,114	642,414
	238,376	277,774	252,227	269,228	297,915	318,530
	-	5,465	22,592	-	-	-
	1,725,254	1,438,146	1,067,750	1,150,055	1,201,955	1,187,152
	162,064	352,943	525,199	643,090	737,800	778,800
	129,447	889,989	1,103,253	119,025	547,165	95,577
	15,542	859,246	3,885	406,301	149,085	295,188
	9,274,540	9,074,506	9,652,900	9,349,318	10,211,027	10,372,796
	3,242	405	1,280	26,761	88,314	-
	255,946	53,241	71,025	45,159	48,172	40,695
	800,000	988,351	965,660	921,831	904,198	865,552
	57,660	26,169	-	-	-	-
	251,957	2,400	305,185	-	-	222,389
	-	354,984	-	-	-	-
	194,693	111,784	-	-	-	168,320
	-	87,984	-	-	-	-
	18,166,142	19,675,925	19,246,744	18,253,071	19,530,334	21,128,605

**Carteret County, North Carolina**

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

	Fiscal Year			
	2007	2008	2009	2010
Business-type activities:				
Charge for services - Water	\$ 493,342	\$ 550,256	\$ 573,359	\$ 564,172
Capital grants and contributions - Water	146,065	-	167,757	115,605
<b>Total business-type activities program revenues</b>	<b>639,407</b>	<b>550,256</b>	<b>741,116</b>	<b>679,777</b>
<b>Total primary government program revenues</b>	<b>\$ 18,259,449</b>	<b>\$ 17,827,559</b>	<b>\$ 20,180,752</b>	<b>\$ 17,701,305</b>
Governmental activities	\$ (64,128,776)	\$ (84,906,043)	\$ (71,333,189)	\$ (69,225,830)
Business-type activities	(88,912)	(262,915)	(193,803)	(118,655)
<b>Total primary government net (expense)/revenue</b>	<b>\$ (64,217,688)</b>	<b>\$ (85,168,958)</b>	<b>\$ (71,526,992)</b>	<b>\$ (69,344,485)</b>

**General Revenues and Other  
Changes in Net Position**

Governmental activities:				
Property taxes	\$ 42,377,566	\$ 48,592,344	\$ 50,175,809	\$ 50,528,632
Local option sales tax	16,794,865	17,531,935	14,210,399	12,277,230
Other taxes	5,276,663	5,415,909	4,542,881	4,398,904
Intergovernmental	397,918	665,684	263,104	462,860
Investment earnings	3,196,255	3,310,752	1,593,849	790,705
Miscellaneous	142,989	90,195	60,939	703,663
Special Item	-	-	-	-
Transfers	(289,000)	(278,000)	(258,000)	(205,000)
<b>Total governmental activities</b>	<b>67,897,256</b>	<b>75,328,819</b>	<b>70,588,981</b>	<b>68,956,994</b>

Business-type activities:				
Investment earnings	23,451	33,908	16,840	15,722
Intergovernmental, unrestricted	10,574	-	-	-
Miscellaneous	-	-	-	-
Transfers	289,000	278,000	258,000	205,000
<b>Total business-type activities</b>	<b>323,025</b>	<b>311,908</b>	<b>274,840</b>	<b>220,722</b>
<b>Total primary government</b>	<b>\$ 68,220,281</b>	<b>\$ 75,640,727</b>	<b>\$ 70,863,821</b>	<b>\$ 69,177,716</b>

**Change in Net Position**

Governmental activities	\$ 3,768,480	\$ (9,577,224)	\$ (744,208)	\$ (268,836)
Business-type activities	234,113	48,993	81,037	102,067
<b>Total primary government</b>	<b>\$ 4,002,593</b>	<b>\$ (9,528,231)</b>	<b>\$ (663,171)</b>	<b>\$ (166,769)</b>

2011	2012	2013	2014	2015	2016
\$ 457,668	\$ 526,067	\$ 575,338	\$ 562,238	\$ 576,057	\$ 576,598
384,395	3,618	1,751,350	-	-	-
842,063	529,685	2,326,688	562,238	576,057	576,598
\$ 19,008,205	\$ 20,205,610	\$ 21,573,432	\$ 18,815,309	\$ 20,106,391	\$ 21,705,203
\$ (66,059,494)	\$ (63,569,492)	\$ (68,878,680)	\$ (61,590,262)	\$ (65,390,856)	\$ (65,199,283)
(7,261)	(285,613)	1,417,381	(465,070)	(407,914)	(468,970)
\$ (66,066,755)	\$ (63,855,105)	\$ (67,461,299)	\$ (62,055,332)	\$ (65,798,770)	\$ (65,668,253)
\$ 51,159,340	\$ 51,442,461	\$ 50,250,954	\$ 50,921,192	\$ 52,302,979	\$ 49,616,653
12,051,519	12,895,813	13,718,008	13,640,870	14,800,458	15,429,458
4,595,602	4,748,326	4,615,833	5,240,019	6,476,176	6,761,921
677,029	780,738	793,818	964,088	966,265	1,073,420
401,788	539,146	(69,957)	285,376	198,419	269,450
79,807	2,125,900	142,562	205,888	764,879	306,748
-	-	2,000,000	1,128,496	-	-
(305,000)	(245,000)	(231,565)	(300,000)	(324,000)	(324,000)
68,660,085	72,287,384	71,219,653	72,085,929	75,185,176	73,133,650
8,679	9,332	1,219	3,487	2,200	3,647
-	-	-	-	-	-
-	-	-	-	1,163	-
305,000	245,000	231,565	300,000	324,000	324,000
313,679	254,332	232,784	303,487	327,363	327,647
\$ 68,973,764	\$ 72,541,716	\$ 71,452,437	\$ 72,389,416	\$ 75,512,539	\$ 73,461,297
\$ 2,600,591	\$ 8,717,892	\$ 2,340,973	\$ 10,495,667	\$ 9,794,320	\$ 7,934,367
306,418	(31,281)	1,650,165	(161,583)	(80,551)	(141,323)
\$ 2,907,009	\$ 8,686,611	\$ 3,991,138	\$ 10,334,084	\$ 9,713,769	\$ 7,793,044



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

	Fiscal Year			
	2007	2008	2009	2010
<b>General Fund</b>				
Reserved for:				
State statute	\$ 5,441,376	\$ 6,058,268	\$ 6,537,961	\$ 5,668,864
Prepaid items	-	92,056	-	-
Sheriff's fund	39,116	61,376	120,361	84,052
Debt Service	-	-	-	-
Recreation districts	88,593	88,665	89,129	89,129
Health programs	1,177,309	1,135,530	973,892	907,160
Register of deeds	251,440	293,368	325,898	274,802
Beach nourishment	4,023,290	5,996,954	7,665,277	9,550,285
<b>Total reserve</b>	<b>11,021,124</b>	<b>13,726,217</b>	<b>15,712,518</b>	<b>16,574,292</b>
Unreserved:				
Designated for subsequent year's expenditures	155,000	720,000	-	307,505
Undesignated	21,917,920	23,152,988	23,791,470	25,445,763
<b>Total General Fund</b>	<b>\$ 33,094,044</b>	<b>\$ 37,599,205</b>	<b>\$ 39,503,988</b>	<b>\$ 42,327,560</b>
<b>All Other Governmental Funds</b>				
Reserved for:				
State statute	\$ -	\$ -	\$ -	\$ -
E911 wireless	741,702	-	-	-
Special districts	410,542	1,147,999	1,809,004	2,430,758
	1,152,244	1,147,999	1,809,004	2,430,758
Unreserved:				
Designated for subsequent year's expenditures	36,035,398	19,382,507	12,882,665	1,906,995
Undesignated special revenue funds	371,947	1,006,822	1,405,876	948,533
Undesignated capital projects funds	3,650,440	4,891,288	3,473,937	4,280,372
<b>Total all other governmental funds</b>	<b>\$ 41,210,029</b>	<b>\$ 26,428,616</b>	<b>\$ 19,571,482</b>	<b>\$ 9,566,658</b>

**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
Community college capital	-	-	-
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**  
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Fiscal Year		
2014	2015	2016
\$ 5,613,195	\$ 6,457,421	\$ 6,608,370
437,789	426,804	508,301
102,739	104,081	104,081
797,986	615,523	364,036
375,918	394,275	297,572
7,312,865	10,283,851	13,083,623
1,705,420	1,128,497	1,128,496
16,345,912	19,410,452	22,094,479
5,254,210	3,717,325	3,775,000
30,092,051	30,644,570	27,941,462
\$ 51,692,173	\$ 53,772,347	\$ 53,810,941
\$ 688,078	\$ 881,162	\$ 1,238,771
713,377	820,427	927,601
1,723,198	1,656,221	1,261,069
12,139	-	4,512,122
1,290,682	1,494,748	1,578,144
4,427,474	4,852,558	9,517,707
732,706	734,594	-
403,529	403,529	267,038
903,468	2,130,637	1,157,070
-	-	750,000
1,451,065	2,139,650	1,113,105
1,005,471	820,877	3,581,667
(1,033,467)	(1,181,701)	(1,295,796)
\$ 7,890,246	\$ 9,900,144	\$ 15,090,791

**Carteret County, North Carolina**

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

	Fiscal Year			
	2007	2008	2009	2010
<b>Revenues</b>				
Taxes:				
Property	\$ 42,487,337	\$ 48,720,636	\$ 49,678,930	\$ 50,200,352
Sales and other taxes	22,071,528	22,947,844	18,753,280	16,676,134
<b>Total taxes</b>	<b>64,558,865</b>	<b>71,668,480</b>	<b>68,432,210</b>	<b>66,876,486</b>
Permits and fees	3,633,685	3,079,055	2,484,066	2,355,405
Intergovernmental	11,567,346	12,039,656	14,544,225	12,341,283
Sales and services	2,566,066	2,650,004	2,605,889	2,681,926
Interest	3,196,255	3,310,752	1,593,849	790,705
Miscellaneous	350,904	267,994	149,586	156,290
<b>Total revenues</b>	<b>85,873,121</b>	<b>93,015,941</b>	<b>89,809,825</b>	<b>85,202,095</b>
<b>Expenditures</b>				
General government	5,312,246	5,745,169	5,821,968	5,852,801
Public safety	13,947,141	16,132,558	16,424,222	16,291,686
Transportation	847,387	858,646	941,321	781,852
Environmental protection	2,891,843	2,900,884	3,070,121	3,104,110
Economic development	4,334,443	4,959,166	5,189,267	4,441,078
Human services	15,696,967	16,391,072	15,774,335	14,618,041
Culture and recreation	2,737,147	3,013,274	2,685,231	2,632,473
Education	20,196,594	21,556,439	22,851,145	21,888,541
Capital outlay	11,289,414	26,052,502	15,564,833	13,242,438
Debt service:				
Principal	4,785,000	5,922,857	13,243,078	6,217,427
Interest	2,954,302	3,568,542	4,077,579	3,188,650
Bond issuance cost	-	-	-	-
<b>Total expenditures</b>	<b>84,992,484</b>	<b>107,101,109</b>	<b>105,643,100</b>	<b>92,259,097</b>
<b>Excess (deficiency) of of revenues over (under) expenditures</b>	<b>880,637</b>	<b>(14,085,168)</b>	<b>(15,833,275)</b>	<b>(7,057,002)</b>
Other financing sources (uses):				
Transfers in	6,502,225	9,407,194	4,652,822	4,567,901
Transfers out	(6,791,225)	(9,408,499)	(4,910,822)	(4,772,901)
Proceeds from sale of capital assets	-	-	-	80,750
Special item	-	-	-	-
Bond premium	94,928	-	-	-
Bonds issued	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>20,105,928</b>	<b>3,808,916</b>	<b>10,880,924</b>	<b>(124,250)</b>
<b>Net change in fund balance</b>	<b>\$ 20,986,565</b>	<b>\$ (10,276,252)</b>	<b>\$ (4,952,351)</b>	<b>\$ (7,181,252)</b>
Debt service as a percentage of noncapital expenditures	9.18%	8.96%	17.02%	10.53%

Schedule 4

	2011	2012	2013	2014	2015	2016
\$	50,519,817	\$ 51,069,950	\$ 50,110,266	\$ 50,941,906	\$ 52,173,675	\$ 49,621,522
	16,647,121	17,644,139	18,333,841	18,880,889	21,276,634	22,191,379
	67,166,938	68,714,089	68,444,107	69,822,795	73,450,309	71,812,901
	2,407,908	2,590,236	2,781,510	2,575,469	2,592,668	3,103,209
	13,642,310	15,026,351	14,512,547	13,625,628	14,853,980	15,099,889
	2,710,406	2,840,076	2,746,505	3,016,062	3,049,951	3,998,927
	401,788	539,146	(69,957)	285,376	198,419	269,450
	164,968	211,118	118,669	172,353	647,154	325,215
	86,494,318	89,921,016	88,533,381	89,497,683	94,792,481	94,609,591
	5,710,894	5,402,432	5,697,525	6,160,049	6,689,088	7,653,713
	18,135,931	16,863,612	17,548,136	18,122,055	18,728,679	18,092,186
	952,210	1,159,848	2,658,305	918,872	1,295,944	1,214,961
	3,189,081	4,014,786	3,104,387	3,132,347	3,395,439	3,576,906
	4,889,167	6,862,298	5,782,737	4,922,228	5,582,073	5,548,594
	15,221,814	15,598,191	14,814,576	14,719,500	15,639,871	16,312,094
	1,590,158	2,774,024	2,889,936	3,191,895	3,190,144	3,474,047
	28,623,466	22,306,178	21,265,441	21,816,743	24,173,981	23,551,049
	3,505,755	3,689,741	10,484,171	2,837,981	3,538,776	6,583,987
	6,465,073	6,615,517	6,174,180	6,520,683	6,145,377	6,393,040
	2,943,555	2,883,139	2,558,945	2,280,183	2,067,935	1,719,633
	-	-	-	-	107,922	-
	91,227,104	88,169,766	92,978,339	84,622,536	90,555,229	94,120,210
	(4,732,786)	1,751,250	(4,444,958)	4,875,147	4,237,252	489,381
	4,773,110	4,218,376	11,921,740	4,911,458	8,725,677	9,606,950
	(5,078,110)	(4,463,376)	(12,153,305)	(5,211,458)	(9,049,677)	(9,930,950)
	5,653,860	1,531,514	2,000,000	53,765	58,782	-
	-	-	-	1,128,496	-	-
	-	-	2,624,435	-	-	463,860
	-	-	-	-	-	4,600,000
	-	10,029,942	12,700,000	-	12,250,000	-
	-	(10,012,059)	(15,077,852)	-	(12,131,962)	-
	-	-	-	907,000	-	-
	5,348,860	1,304,397	2,015,018	1,789,261	(147,180)	4,739,860
\$	616,074	\$ 3,055,647	\$ (2,429,940)	\$ 6,664,408	\$ 4,090,072	\$ 5,229,241
	10.73%	10.92%	9.52%	10.52%	9.26%	8.94%

**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)	
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
2015	13,066,163,985	1,022,301,188	33,593,356	70,263,592	14,192,322,121
<b>2016<sup>(5)</sup></b>	<b>11,863,427,000</b>	<b>1,158,966,816</b>	<b>40,894,377</b>	<b>60,528,976</b>	<b>13,123,817,169</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)
\$	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
	1,049,826,237	123,526,642	15,365,675,000	0.30	15,365,675,000
	<b>1,232,232,454</b>	<b>142,852,043</b>	<b>14,498,901,666</b>	<b>0.30</b>	<b>14,498,901,666</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	
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
2015	0.3000	1.9630	1.9485	4.2115
<b>2016</b>	<b>0.3000</b>	<b>2.0865</b>	<b>1.9810</b>	<b>4.3675</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			
	2007	2008	2009	2010
<b>Carteret County</b>	0.4400	0.2300	0.2300	0.2300
<b>Municipalities</b>				
Atlantic Beach	0.2600	0.1500	0.1250	0.1250
Beaufort	0.3800	0.1900	0.2200	0.2200
Bogue	0.0500	0.0500	0.0500	0.0500
Cape Carteret	0.2300	0.1550	0.1550	0.1400
Cedar Point	0.0500	0.0500	0.0500	0.0550
Emerald Isle	0.1550	0.0670	0.0700	0.0700
Indian Beach	0.1000	0.0600	0.1100	0.1400
Morehead City	0.3800	0.2200	0.2200	0.2200
Newport	0.4000	0.2700	0.2900	0.3100
Pelletier	0.0500	0.0500	0.0500	0.0500
Pine Knoll Shores	0.1800	0.0800	0.1150	0.1150
<b>Fire Districts</b>				
Atlantic	0.0650	0.0700	0.0700	0.0700
Beaufort	0.0550	0.0300	0.0350	0.0350
Broad & Gales Creek	0.0550	0.0450	0.0450	0.0450
Cedar Island	0.1000	0.1000	0.1000	0.1000
Davis	0.1000	0.0850	0.0900	0.0900
Harkers Island	0.0600	0.0400	0.0400	0.0650
Harlowe	0.0550	0.0450	0.0450	0.0550
Marshallberg	0.0700	0.0850	0.0850	0.0800
Mill Creek	0.0550	0.0450	0.0450	0.0450
Mitchell Village	0.0800	0.0900	0.0750	0.0750
Newport	0.0800	0.0400	0.0700	0.0700
North River	0.0750	0.0450	0.0450	0.0900
Otway	0.0400	0.0250	0.0500	0.0500
Salter Path	0.0700	0.0300	0.0300	0.0300
Sea Level	0.1000	0.1000	0.1000	0.1000
South River/ Merrimon	0.0700	0.0550	0.0350	0.0600
Stacy	0.0800	0.0600	0.0700	0.0700
Stella	0.0500	0.0250	0.0200	0.0250
Western Carteret	0.0700	0.0400	0.0400	0.0400
Wildwood	0.0950	0.0450	0.0600	0.0600

(Continued)

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2011	2012	2013	2014	2015	2016
0.2300	0.3000	0.2900	0.2900	0.3000	<b>0.3000</b>
0.1250	0.1700	0.1700	0.1650	0.1650	<b>0.1650</b>
0.2200	0.2600	0.3000	0.3000	0.3300	<b>0.3475</b>
0.0500	0.0500	0.0500	0.0500	0.0500	<b>0.0500</b>
0.1400	0.1625	0.1525	0.1525	0.1525	<b>0.1525</b>
0.0550	0.0625	0.0625	0.0625	0.0625	<b>0.0625</b>
0.0800	0.1150	0.1150	0.1250	0.1400	<b>0.1550</b>
0.1500	0.2150	0.2150	0.1650	0.1650	<b>0.1950</b>
0.2200	0.2850	0.2850	0.3150	0.3300	<b>0.3500</b>
0.3300	0.3570	0.3570	0.3570	0.3570	<b>0.3570</b>
0.0550	0.0550	0.0550	0.0550	0.0550	<b>0.0550</b>
0.1150	0.1560	0.1560	0.1560	0.1560	<b>0.1970</b>
0.0700	0.0700	0.0700	0.0700	0.0700	<b>0.0800</b>
0.0550	0.0550	0.0550	0.0550	0.0550	<b>0.0550</b>
0.0300	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>
0.0850	0.0850	0.0850	0.0850	0.0850	<b>0.0850</b>
0.0700	0.0800	0.0800	0.0700	0.0700	<b>0.0850</b>
0.0600	0.0750	0.0750	0.0750	0.0750	<b>0.0750</b>
0.0900	0.0900	0.0900	0.0900	0.0900	<b>0.0975</b>
0.0450	0.0450	0.0450	0.0450	0.0450	<b>0.0450</b>
0.0750	0.0750	0.0650	0.0550	0.0500	<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	0.0550	0.0550	0.0700	0.0700	<b>0.0700</b>
0.0300	0.0500	0.0600	0.0600	0.0600	<b>0.0600</b>
0.1000	0.0950	0.0950	0.0950	0.0950	<b>0.0950</b>
0.0600	0.0600	0.0600	0.0600	0.0600	<b>0.0600</b>
0.0850	0.0850	0.0850	0.0850	0.0850	<b>0.0850</b>
0.0400	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>
0.0650	0.0850	0.0850	0.0850	0.0675	<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			
	2007	2008	2009	2010
<b>Rescue Districts</b>				
Beaufort	0.0600	0.0250	0.0400	0.0450
Broad & Gales Creek	0.0750	0.0350	0.0350	0.0300
Mill Creek	0.0200	0.0450	0.0450	0.0450
Mitchell Village	0.0400	0.0250	0.0400	0.0400
Otway	0.0550	0.0300	0.0300	0.0300
Sea Level	0.1675	0.1200	0.1200	0.1200
Western Carteret	0.0500	0.0300	0.0300	0.0300
<b>Beach Nourishment Districts</b>				
Salter Path	0.4300	-	-	-
Indian Beach Non Ocean Front	0.0200	0.0200	0.0100	0.0100
Indian Beach Ocean Front	0.3200	0.0100	0.0100	0.0100
Emerald Isle Non Ocean Front	0.1850	0.0110	0.0110	0.0110
Emerald Isle Ocean Front	0.6350	0.1620	0.1620	0.1620
Pine Knoll Shores Ocean Front	0.6000	0.0264	0.0160	0.0160
Pine Knoll Shores Non Ocean Front	0.2400	0.1727	0.1050	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

2011	2012	2013	2014	2015	2016
0.0450	0.0500	0.0500	0.0500	0.0500	<b>0.0550</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	0.0300	0.0200	0.0200	<b>0.0200</b>
0.0300	0.0300	0.0300	0.0300	0.0300	<b>0.0400</b>
0.1200	0.0800	0.0600	0.0600	0.1000	<b>0.1000</b>
0.0300	0.0300	0.0300	0.0300	0.0300	<b>0.0300</b>
-	0.1500	0.0500	0.0500	0.0500	<b>0.0500</b>
0.0100	0.0100	0.0325	0.0325	0.0300	<b>0.0200</b>
0.0100	0.0350	0.0850	0.0850	0.0650	<b>0.0400</b>
0.0110	0.0150	0.0150	0.0150	0.0000	<b>0.0000</b>
0.1620	0.0450	0.0450	0.0450	0.0300	<b>0.0400</b>
0.0160	0.0140	0.0140	0.0140	0.0140	<b>0.0160</b>
0.1050	0.0520	0.0520	0.0520	0.0520	<b>0.0600</b>
-	0.0550	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 2016			Fiscal Year 2007		
		Assessed Valuation	Rank	Percent of Total Assessed Valuation	Assessed Valuation	Rank	Percent of Total Assessed Valuation
Carteret Craven Electric	Utility	\$ 123,236,020	1	0.850%	\$ 60,332,804	1	0.71%
Progress Energy	Utility	93,458,410	2	0.645%	50,384,644	2	0.59%
Open Grounds Farm, Inc.	Farm	90,854,189	3	0.627%	49,965,900	4	0.59%
Goose Creek Landing HOA	Real Estate	30,236,690	4	0.209%	-	-	-
ITAC 192 LLC	Real Estate	25,357,352	5	0.175%	-	-	-
Stevens Towing Company	Barge Transport	22,000,408	6	0.152%	-	-	-
Atlantic Newport Hospitality	Hotel	20,400,000	7	0.141%	-	-	-
USPG Portfolia One LLC	Retail	20,274,257	8	0.140%	12,445,946	9	0.15%
Weyerhaeuser Company	Real Estate	19,438,240	9	0.134%	11,817,857	10	0.14%
Time Warner Entertainment	Communications	18,727,844	10	0.129%	13,143,154	8	0.15%
R A Development	Real Estate	-	-	-	42,679,843	4	0.50%
Carolina Telephone	Utility	-	-	-	40,628,069	5	0.48%
Atlantic Veneer Corp	Manufacturing	-	-	-	21,325,338	6	0.25%
GR&S Atlantic Beach Ltd	Real Estate	-	-	-	16,488,047	7	0.19%
		<b>\$ 463,983,410</b>		<b>3.202%</b>	<b>\$ 319,211,602</b>		<b>3.750%</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
2007	\$ 37,997,380	\$ (153,178)	\$ 37,844,202	\$ 36,909,457	97.53%
2008	43,386,701	(127,223)	43,259,478	42,240,730	97.65%
2009	43,880,900	(110,435)	43,770,465	42,486,645	97.07%
2010	44,158,178	(112,595)	44,045,583	42,758,524	97.08%
2011	44,397,414	(9,277)	44,388,137	43,043,486	96.97%
2012	45,203,707	(112,490)	45,091,217	43,758,543	97.04%
2013	44,109,338	(67,682)	44,041,656	42,824,327	97.24%
2014	44,863,630	(54,002)	44,809,628	43,722,134	97.57%
2015	46,118,930	(46,753)	46,072,177	45,099,962	97.89%
2016	<b>43,572,880</b>	<b>(76,175)</b>	<b>43,496,705</b>	<b>42,642,837</b>	<b>98.04%</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 Subsequent Years	Amount	Percentage of Levy	
\$ 933,868	\$ 37,843,325	100.00%	
892,449	43,133,179	99.71%	
1,112,469	43,599,114	99.61%	
1,158,644	43,917,168	99.71%	
1,180,397	44,223,883	99.63%	
1,105,800	44,864,343	99.50%	
906,618	43,730,945	99.29%	
698,075	44,420,209	99.13%	
443,590	45,543,552	98.85%	
-	<b>42,642,837</b>	<b>98.04%</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
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
2015	33,475,000	2,680,697	3,090,000	11,709,696
<b>2016</b>	<b>33,820,000</b>	<b>2,768,620</b>	<b>2,630,000</b>	<b>10,031,656</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 2015 and 2016.

Business Activity								
Installment Loans	Bond Anticipation Notes	Revenue Bonds	Total Primary Government	Per Capita (1)	Percentage of Personal Income (1)			
\$ 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	1.97%			
1,788,256	-	1,030,000	53,773,649	778	*			
<b>1,617,224</b>	<b>-</b>	<b>1,014,000</b>	<b>51,881,500</b>	<b>744</b>	<b>*</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
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%	1.31%	69,092	573.81
2015	36,155,697	15,365,675,000	0.24%	*	70,079	515.93
<b>2016</b>	<b>36,588,620</b>	<b>14,498,901,666</b>	<b>0.25%</b>	*	<b>69,706</b>	<b>524.90</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 2015 and 2016

**Carteret County, North Carolina**

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

	Fiscal Year			
	2007	2008	2009	2010
Assessed values of property	\$ 8,619,249,952	\$ 18,620,488,670	\$ 19,028,825,652	\$ 19,154,428,262
Debt limit 8% of assessed value	689,539,996	1,489,639,094	1,522,306,052	1,532,354,261
Gross debt:				
Total bonded debt	80,135,000	75,155,000	62,965,000	58,065,000
Installment debt	3,500,000	6,367,364	16,453,210	15,135,783
Net bond premiums and adjustments	201,508	221,156	(197,572)	(137,327)
Authorized unissued bonded debt	9,710,000	9,710,000	9,710,000	9,710,000
<b>Total amount of debt applicable to debt limit</b>	<b>93,546,508</b>	<b>91,453,520</b>	<b>88,930,638</b>	<b>82,773,456</b>
Legal debt margin	<b>\$ 595,993,488</b>	<b>\$ 1,398,185,574</b>	<b>\$ 1,433,375,414</b>	<b>\$ 1,449,580,805</b>
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	<b>13.57%</b>	<b>6.14%</b>	<b>5.84%</b>	<b>5.40%</b>

Schedule 12

2011	2012	2013	2014	2015	2016
\$ 19,287,665,218	\$ 15,072,107,348	\$ 15,178,413,206	\$ 15,451,156,552	\$ 15,365,675,000	\$ 14,498,901,666
1,543,013,217	1,205,768,588	1,214,273,056	1,236,092,524	1,229,254,000	1,159,912,133
53,900,000	49,760,000	44,645,000	40,105,000	36,565,000	36,450,000
18,489,570	16,099,052	14,339,872	13,365,073	11,709,696	10,031,656
(77,132)	35,220	3,464,917	3,100,791	2,680,697	2,768,620
9,710,000	9,710,000	9,710,000	9,710,000	9,710,000	-
82,022,438	75,604,272	72,159,789	66,280,864	60,665,393	49,250,276
\$ 1,460,990,779	\$ 1,130,164,316	\$ 1,142,113,267	\$ 1,169,811,660	\$ 1,168,588,607	\$ 1,110,661,857
5.32%	6.27%	5.94%	5.36%	4.94%	4.25%

**Computation of Direct and Overlapping Debt  
Governmental Activities Debt  
June 30, 2016**

	<b>Outstanding Debt</b>	<b>Percent Applicable to County</b>	<b>Amount Applicable to County</b>
<b>Direct</b>			
Carteret County (1)	\$ 49,250,276	100.00%	\$ 49,250,276
<b>Overlapping</b>			
Town of Newport (2)	2,047,685	100.00%	2,047,685
Town of Pine Knoll Shores (2)	3,144,000	100.00%	3,144,000
Subtotal overlapping debt	<u>5,191,685</u>		<u>5,191,685</u>
Total direct and overlapping debt	<u>\$ 54,441,961</u>		<u>\$ 54,441,961</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)
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	3,021,043	43,903	6.50%	8,254
2015	70,079	*	*	5.76%	8,445
<b>2016</b>	<b>69,706</b>	*	*	<b>5.67%</b>	<b>8,141</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	2016			2007		
	Employment Range	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Carteret County Public Schools	1000+	1	-	1,438	1	4.16%
Carteret General Hospital	500-999	2	-	959	2	2.78%
Carteret County	500-999	3	-	432	4	1.25%
Wal-Mart Associates Inc	250-499	4	-	574	3	1.66%
Carteret Community College	250-499	5	-	340	6	0.98%
Lowes Home Improvements	250-499	6	-	-	-	-
Food Lion	250-499	7	-	-	-	-
Big Rock Sports LLC	250-499	8	-	-	-	-
McDonalds	100-249	9	-	-	-	-
Lowes Food Stores	100-249	10	-	-	-	-
Atlantic Veneer	-	-	-	352	5	0.10%
US Coast Guard	-	-	-	273	7	79.00%
Henry's Tackle & Sporting Goods	-	-	-	214	8	0.62%
NC Natural Resources and Community Development	-	-	-	202	9	0.58%
Bally Refrigerated Boxes	-	-	-	167	10	0.48%

Source: NC Commerce LEAD Division



**Carteret County, North Carolina**

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

Function/Program	Full-Time Equivalent			
	2007	2008	2009	2010
General government	63.60	66.10	66.10	66.40
Public safety	106.00	114.00	119.00	114.30
Transportation	2.00	2.00	2.00	2.00
Economic and physical development	17.00	19.50	18.50	17.00
Environmental protection	8.00	6.00	6.00	7.00
Human Services	162.60	167.80	171.80	169.58
Cultural and recreation	21.00	22.00	22.00	20.92
Water/Sewer (Business activity)	4.40	4.40	4.40	4.40
<b>Total</b>	<b>384.60</b>	<b>401.80</b>	<b>409.80</b>	<b>401.60</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

2011	2012	2013	2014	2015	2016
66.60	62.85	57.85	59.80	60.80	<b>61.80</b>
141.00	130.00	135.00	137.00	138.00	<b>141.00</b>
2.00	2.00	3.00	3.00	4.00	<b>4.00</b>
17.00	17.00	14.00	13.87	13.87	<b>14.00</b>
7.00	7.00	7.00	6.50	6.50	<b>6.50</b>
169.91	169.33	169.33	168.33	170.98	<b>177.00</b>
21.49	20.07	19.07	20.07	20.42	<b>22.42</b>
4.40	4.15	4.15	4.83	4.83	<b>4.70</b>
<b>429.40</b>	<b>412.40</b>	<b>409.40</b>	<b>413.40</b>	<b>419.40</b>	<b>431.42</b>

**Carteret County, North Carolina**

**Operating Indicators by Function  
Last Eight 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	2015	2016
2,288	2,091	2,018	1,659	<b>1,773</b>
45.46	43.74	46.25	45.23	<b>38.36</b>
4.24	4.26	5.15	3.90	<b>2.38</b>
2.61	3.50	11.00	4.80	<b>3.24</b>
5,792	6,099	6,462	7,888	<b>7,192</b>
98,616	124,177	110,435	103,007	<b>117,355</b>
293,613	286,588	269,839	269,184	<b>261,578</b>
365,516	400,407	292,250	332,243	<b>286,530</b>
30	35	25	18	<b>15</b>
3	2	2	-	<b>-</b>
150	125	127	117	<b>118</b>

**Carteret County, North Carolina**

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

Function	Fiscal Year			
	2007	2008	2009	2010
Public safety:				
Sheriff				
Stations	1	1	1	1
Patrol Units	24	24	24	24
Environmental protection:				
Solid waste convenience sites	12	12	12	12
Culture and recreation:				
Park acreage	148	159	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

2011	2012	2013	2014	2015	2016
1	1	1	1	1	1
24	24	24	24	24	24
12	12	12	12	12	12
159	163	163	163	163	163
7	9	9	9	9	9
5	14	14	14	14	14
2	3	3	3	3	3
4	5	5	5	5	5
51	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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**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***

**Independent Auditor's Report**

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, (the County) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 16, 2016. 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 the County's basic 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 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 the 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. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free from 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.

*RSM US LLP*

Morehead City, North Carolina  
December 16, 2016

**Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance; Report  
On Schedule of Expenditures of Federal and State  
Awards Required by the Uniform Guidance and the State Single Audit  
Implementation Act**

RSM US LLP

**Independent Auditor's Report**

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, (the County) compliance with the types of compliance requirements described in the *OMB 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 the County's major federal program for the year ended June 30, 2016. The County's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

The 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 the 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 General Hospital Corporation and the ABC Board (audited by other auditors) were not audited in accordance with *Government Auditing Standards*, the Uniform Guidance or the State Single Audit Implementation Act and Beaufort-Morehead City Airport Authority and Carteret County Tourism Development Authority engaged other auditors to perform an audit of compliance.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance 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 the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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### **Opinion on the Major Federal Program**

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as findings 2016-001 through 2016-008. Our opinion on the major federal program is not modified with respect to these matters.

The County's responses to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Management of the 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 the County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Findings 2016-001 through 2016-008 that we consider to be a significant deficiencies.

The County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The County's responses were not subjected to auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the responses.

## **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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the State Single Audit Implementation Act**

We have audited the financial statements of the County as of and for the year ended June 30, 2016, and have issued our report thereon dated December 16, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by the Uniform Guidance and the State Single Audit Implementation Act and is not a required part of the 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal and State Awards is fairly stated in all material respects in relation to the financial statements as a whole.

*RSM US LLP*

Morehead City, North Carolina  
December 16, 2016



**Report on Compliance for Each Major State Program;  
Report on Internal Control Over Compliance  
in Accordance with the Uniform Guidance and  
State Single Audit Implementation Act**

**Independent Auditor's Report**

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 (the County) 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 its major State program for the year ended June 30, 2016. The County's major State program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

The 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 the 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 General Hospital Corporation and the ABC Board (audited by other auditors) were not audited in accordance with *Government Auditing Standards*, applicable sections of the Uniform Guidance or the State Single Audit Implementation Act and Beaufort-Morehead City Airport Authority and the Carteret County Tourism Development Authority engaged other auditors to perform an audit of compliance.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the County's major State program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the applicable sections of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, 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 the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## **Opinion on the Major State Program**

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major State program for the year ended June 30, 2016.

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with applicable sections of the Uniform Guidance 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 2016-009 through 2016-017. Our opinion on the major State program is not modified with respect to these matters.

The County's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Management of the 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 the County's internal control over compliance with the types of requirements that could have a direct and material effect on the major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major State program and to test and report on internal control over compliance in accordance with the Uniform Guidance 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 the 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. However, we identified deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as findings 2016-009 through 2016-017 that we consider to be significant deficiencies.

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the responses.

### **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 the Uniform Guidance and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

*RSM US LLP*

Morehead City, North Carolina  
December 16, 2016

**Carteret County, North Carolina**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016**

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

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes

  X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes

  X   None Reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes

  X   No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes

  X   No

Significant deficiency(ies) identified?

  X   Yes

\_\_\_\_\_ 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 2 CFR 200.516(a)?

  X   Yes

\_\_\_\_\_ No

Identification of major federal programs:

Program Name

CFDA

Medical Assistance

93.778

Dollar threshold used to distinguish between type A and type B programs:

\$ 1,853,943

Auditee qualified as low-risk auditee?

  X   Yes

\_\_\_\_\_ No

(Continued)

**Carteret County, North Carolina**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2016**

**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>  X  </u> Yes	<u>        </u> No
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Identification of major State programs:

<u>Program Name</u>	<u>Grant Number</u>
Public School Building Capital Fund	N/A

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

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

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2016**

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**Section II. Financial Statement Findings**

None reported.

**Section III. Federal Award Findings and Questioned Costs**

**US Department of Health and Human Services**

Passed through the NC Dept. of Health and Human Services (NC DHHS)

Program Name: Medical Assistance Program

CFDA # 93.778

**Significant Deficiency and Noncompliance - Eligibility**

**Finding: 2016-001**

**Criteria:** Per the NC DHHS, Division of Medical Assistance (DMA) requirements, the County Department of Social Services (DSS) is responsible for utilizing the proper method of determining a client's eligibility.

**Condition and Context:** Of the sixty files sampled, we noted two instances in which an incorrect method was utilized. The MAGI eligibility determination should have been used instead of the traditional method.

**Effect:** Potential for ineligible applicant to receive benefits.

**Cause:** Administrative oversight.

**Questioned costs:** Known questioned costs of \$103.62.

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of applicable program requirements. Additionally, we recommend increasing 2<sup>nd</sup> party reviews of case files by supervisors to ensure program requirements have been met.

**Views of Responsible Management:** See management's corrective action plan.

**Significant Deficiency and Noncompliance - Eligibility**

**Finding: 2016-002**

**Criteria:** Per the NC DHHS, DMA requirements, the County DSS is responsible for completing the application or recertification process and ensuring that proper documentation is contained in the individual case file to verify eligibility. It is also Carteret County's local agency policy to include in that documentation a narrative or dictation detailing facts and circumstances for all case action taken. This aids in tracking onset of eligibility and certification period of benefits, among other details, and is recommended by the State.

**Condition and Context:** Of the sixty files sampled, we noted one instance in which the narrative or dictation was not present in the case file.

**Effect:** Potential for vital information to be neglected, inadequate understanding of case specifics and ineligible applicant to receive benefits.

(Continued)

**Carteret County, North Carolina**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2016**

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**Section III. Federal Award Findings and Questioned Costs (Continued)**

**Cause:** Administrative oversight.

**Questioned costs:** None noted.

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of applicable program requirements. Additionally, we recommend increasing 2<sup>nd</sup> party reviews of case files by supervisors to ensure program requirements have been met.

**Views of Responsible Management:** See management's corrective action plan.

**Significant Deficiency and Noncompliance - Eligibility  
Finding: 2016-003**

**Criteria:** Per the NC DHHS, DMA eligibility requirements, the County DSS is responsible for completing the recertification process and ensuring that proper documentation, including a correct budget calculation, is contained in the individual case file to verify eligibility.

**Condition and Context:** Of the sixty case files sampled, we noted six instances in which there was no budget calculation present in the case file.

**Effect:** Potential exists for an individual to incorrectly be deemed eligible or ineligible for program benefits.

**Cause:** Administrative oversight.

**Questioned costs:** None noted.

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of applicable program requirements. Additionally, we recommend increasing 2<sup>nd</sup> party reviews of case files by supervisors to ensure program requirements have been met.

**Views of Responsible Management:** See management's corrective action plan.

**Significant Deficiency and Noncompliance - Eligibility  
Finding: 2016-004**

**Criteria:** Per the NC DHHS, DMA requirements, it is the County DSS's responsibility to complete the recertification process and to ensure that proper documentation is contained in the individual case file to verify eligibility.

**Condition and Context:** Of the sixty case files sampled, we noted fifteen instances in which there was no Medical Transportation Assistance Notice of Rights Form (DMA 5046) mailed or provided to the client upon completion of annual recertification.

**Effect:** Potential exists that individuals did not receive benefits for which they were eligible.

(Continued)

**Carteret County, North Carolina**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2016**

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**Section III. Federal Award Findings and Questioned Costs (Continued)**

**Cause:** Administrative oversight.

**Questioned Costs:** None noted.

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of applicable program requirements. Additionally, we recommend increasing 2<sup>nd</sup> party reviews of case files by supervisors to ensure program requirements have been met.

**Views of Responsible Management:** See management's corrective action plan.

**Significant Deficiency and Noncompliance - Eligibility  
Finding: 2016-005**

**Criteria:** Per the NC DHHS, DMA eligibility requirements, the County DSS is responsible for completing the recertification process and ensuring that proper documentation, including a correct budget calculation, is contained in the individual case file to verify eligibility and properly reported in the NCFAST system.

**Condition and Context:** Of the sixty case files sampled, we noted five instances in which the budget calculation of countable income documented in the case record did not agree with the amount entered into the NCFAST system.

**Effect:** Potential exists for an individual to incorrectly be deemed eligible or ineligible for program benefits.

**Cause:** Administrative oversight.

**Questioned costs:** None noted.

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of applicable program requirements. Additionally, we recommend increasing 2<sup>nd</sup> party reviews of case files by supervisors to ensure program requirements have been met.

**Views of Responsible Management:** See management's corrective action plan.

**Significant Deficiency and Noncompliance - Eligibility  
Finding: 2016-006**

**Criteria:** Per the NC DHHS, DMA requirements, the County DSS is responsible for completing the recertification process and ensuring that proper benefit certification periods are determined for each individual case file.

**Condition and Context:** Of the sixty case files sampled, we noted one instance in which the caseworker failed to update the case certification period when notification was received of a recipient's reporting of change in state residency in order to cease benefits prior to the end of the original certification period.

(Continued)

**Carteret County, North Carolina**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2016**

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**Section III. Federal Award Findings and Questioned Costs (Continued)**

**Effect:** Potential for ineligible applicant to receive benefits

**Cause:** Administrative oversight.

**Questioned costs:** None noted.

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of applicable program requirements. Additionally, we recommend increasing 2<sup>nd</sup> party reviews of case files by supervisors to ensure program requirements have been met.

**Views of Responsible Management:** See management's corrective action plan.

**Significant Deficiency and Noncompliance - Eligibility**

**Finding: 2016-007**

**Criteria:** Per the NC DHHS, DMA requirements, the County DSS is responsible for completing an asset verification in the Asset Verification System (AVS) or other acceptable 3<sup>rd</sup> party source during the recertification process for applicable programs in order to verify the client's liquid assets.

**Condition and Context:** Of the sixty case files sampled, we noted three instances in which evidence of verification of liquid assets was not completed.

**Effect:** Potential for ineligible applicant to receive benefits.

**Cause:** Administrative oversight.

**Questioned costs:** None noted.

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of applicable program requirements. Additionally, we recommend increasing 2<sup>nd</sup> party reviews of case files by supervisors to ensure program requirements have been met.

**Views of Responsible Management:** See management's corrective action plan.

**Significant Deficiency and Noncompliance - Eligibility**

**Finding: 2016-008**

**Criteria:** Per the NC DHHS, DMA requirements, the County DSS is responsible for completing an asset verification in the AVS or other acceptable 3<sup>rd</sup> party source during the recertification process for applicable programs in order to verify the client's liquid assets.

**Condition and Context:** Of the sixty case files sampled, we noted three instances in which a client's verified liquid asset balances present in case files did not agree with the amount entered into the NCFast system evidence.

(Continued)

**Carteret County, North Carolina**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2016**

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**Section III. Federal Award Findings and Questioned Costs (Continued)**

**Effect:** Potential for ineligible applicant to receive benefits.

**Cause:** Administrative oversight.

**Questioned costs:** None noted.

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of applicable program requirements. Additionally, we recommend increasing 2<sup>nd</sup> party reviews of case files by supervisors to ensure program requirements have been met.

**Views of Responsible Management:** See management's corrective action plan.

**Section IV. State Award Findings and Questioned Costs**

**Department of Social Services**

DSS Crosscutting Requirements – DSS 1571, Part I

CFDA #: Not applicable

**Significant Deficiency and Noncompliance – DSS-1571, Part I  
Finding: 2016-009**

**Criteria:** Per the NC DHHS, DSS requirements, the County DSS is responsible for maintaining day sheets that account for 100% of employees' time as required in the DSS Services Information System User's Manual and, that program codes and activity codes are summarized correctly, that day sheet entries are supported by documentation in case record files and that day sheet summaries are transferred to the DSS-1571 accurately to an eligible fund source.

**Condition and Context:** Of the twenty-seven day sheets sampled, we noted seven instances in which client files indicated a caseworker had performed work in a particular case file for a specific program and the corresponding day sheet did not indicate that the employee had coded any time to that particular program.

**Effect:** Eligible fund source reimbursements could be disallowed.

**Cause:** Administrative oversight.

**Questioned costs:** None noted.

**Recommendation:** We recommend the County continue to implement training to ensure that all County staff are properly informed of time recording requirements.

**Views of Responsible Management:** See management's corrective action plan.

(Continued)

**Carteret County, North Carolina**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2016**

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**Section IV. State Award Findings and Questioned Costs (Continued)**

**Finding: 2016-010**

See Section III. Federal Award Findings and Questioned Costs, Finding 2016-001

**Finding: 2016-011**

See Section III. Federal Award Findings and Questioned Costs, Finding 2016-002

**Finding: 2016-012**

See Section III. Federal Award Findings and Questioned Costs, Finding 2016-003

**Finding: 2016-013**

See Section III. Federal Award Findings and Questioned Costs, Finding 2016-004

**Finding: 2016-014**

See Section III. Federal Award Findings and Questioned Costs, Finding 2016-005

**Finding: 2016-015**

See Section III. Federal Award Findings and Questioned Costs, Finding 2016-006

**Finding: 2016-016**

See Section III. Federal Award Findings and Questioned Costs, Finding 2016-007

**Finding: 2016-017**

See Section III. Federal Award Findings and Questioned Costs, Finding 2016-008

# CARTERET COUNTY FINANCE

Denise H. Meshaw, CPA  
Assistant County Manager  
Finance Department



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## **Corrective Action Plan Year Ended June 30, 2016**

### **Section II. Financial Statement Identifying Numbers**

No findings reported.

### **Section III. Federal Award Identifying Numbers and Questioned Costs**

**Name of contact person:** Dee Meshaw, Assistant County Manager Finance

**Proposed Completion Date:** November 17, 2016

#### **Identifying Number: 2016-001**

Audit Finding: Of the sixty files sampled, we noted two instances in which an incorrect method was utilized. The MAGI eligibility determination should have been used instead of the traditional method.

**Corrective Actions Taken or Planned:** Training was provided to staff on June 27, 2016 (prior to state audit) and again during Unit Meeting on July 20, 2016 regarding state audit findings. Supervisors have implemented structured and scheduled second party reviews, as well as, monthly training sessions.

#### **Identifying Number: 2016-002**

Audit Finding: Of the sixty files sampled, we noted one instance in which the narrative or dictation was not present in the case file.

**Corrective Actions Taken or Planned:** This is an agency requirement; for the instance noted there has been a correction and notes have been added to case file. On July 20, 2016, following the state audit all audit negative findings were discussed with staff during unit meeting. Supervisors have implemented structured and scheduled second party reviews, as well as, monthly training sessions.

#### **Identifying Number: 2016-003**

Audit Finding: Of the sixty files sampled, we noted six instances in which there was no budget calculation present in the case file.

**Corrective Actions Taken or Planned:** This is an agency requirement and of the six instances noted there have been paper budgets placed in the files. On July 20, 2016, following the state audit all audit negative findings were discussed with staff during unit meeting. Supervisors have implemented structured and scheduled second party reviews, as well as, monthly training sessions.

(Continued)

**Corrective Action Plan  
Year Ended June 30, 2016**

**Section III. Federal Award Identifying Numbers and Questioned Costs (Continued)**

**Identifying Number: 2016-004**

Audit Finding: Of the sixty case files sampled, we noted fifteen instances in which there was no Medical Transportation Assistance Notice of Rights Form (DMA 5046) mailed or provided to client upon completion of annual recertification.

**Corrective Actions Taken or Planned: Staff was trained on June 16, 2016, prior to state audit regarding DMA 5046. Case specific workers were notified of cases without the DMA 5046 and these have since been sent to clients and added to case records. On July 20, 2016, following the state audit all audit negative findings were discussed with staff during unit meeting. Supervisors have implemented structured and scheduled second party reviews, as well as, monthly training sessions.**

**Identifying Number: 2016-005**

Audit Finding: Of the sixty case files sampled, we noted five instances in which the budget calculation of countable income documented in the case record did not agree with the amount entered into the NCFAST system evidence.

**Corrective Actions Taken or Planned: Staff training was conducted on June 27, 2016, regarding budgeting training. Corrections have been made to budget calculations and information entered into NCFAST now corresponds with any corrected budgets. On July 20, 2016, following the state audit all audit negative findings were discussed with staff during unit meeting. Supervisors have implemented structured and scheduled second party reviews, as well as, monthly training sessions.**

**Identifying Number: 2016-006**

Audit Finding: Of the sixty case files sampled, we noted one instance in which the caseworker failed to update the case certification period when notification was received of a recipient's reporting of change in state residency in order to cease benefits prior to the end of the original certification period.

**Corrective Actions Taken or Planned: Case has since been closed.**

**Identifying Number: 2016-007**

Audit Finding: Of the sixty case files sampled, we noted three instances in which evidence of verification of liquid assets was not completed.

**Corrective Actions Taken or Planned: Cases have been researched since audit and brought up to date regarding resources. On July 20, 2016, following the state audit all audit negative findings were discussed with staff during unit meeting. Supervisors have implemented structured and scheduled second party reviews, as well as, monthly training sessions.**

(Continued)

**Corrective Action Plan  
Year Ended June 30, 2016**

**Section III. Federal Award Identifying Numbers and Questioned Costs (Continued)**

**Identifying Number: 2016-008**

Audit Finding: Of the sixty case files sampled, we noted three instances in which a client's verified liquid asset balances present in case files did not agree with the amount entered into the NCFAST system evidence.

**Corrective Actions Taken or Planned: Identified cases have been corrected and workers have been instructed by supervisor to make sure that all information in case records match information entered into NCFAST. On July 20, 2016, following the state audit all audit negative findings were discussed with staff during unit meeting. Supervisors have implemented structured and scheduled second party reviews, as well as, monthly training sessions.**

(Continued)

**Corrective Action Plan (Continued)  
Year Ended June 30, 2016**

**Section IV. State Award Findings and Questioned Costs**

**Name of contact person: Dee Meshaw, Assistant County Manager Finance**

**Proposed Completion Date: November 17, 2016**

**Identifying Number: 2016-009**

Audit Finding: Of the twenty-seven day sheets sampled, we noted seven instances in which client files indicated a caseworker performed work present in a particular case file for a specific program and the corresponding day sheet did not indicate that the employee had coded any time to that particular program.

**Corrective Actions Taken or Planned: Economic Service Line Staff have been instructed and advised of the importance of accurate day sheet entries. Day Sheets are spot checked by economic supervisors for accuracy.**

**Identifying Number: 2016-010**

See Section III. Federal Award Identifying Numbers and Questioned Costs, Identifying Number 2016-001

**Identifying Number: 2016-011**

See Section III. Federal Award Identifying Numbers and Questioned Costs, Identifying Number 2016-002

**Identifying Number: 2016-012**

See Section III. Federal Award Identifying Numbers and Questioned Costs, Identifying Number 2016-003

**Identifying Number: 2016-013**

See Section III. Federal Award Identifying Numbers and Questioned Costs, Identifying Number 2016-004

**Identifying Number: 2016-014**

See Section III. Federal Award Identifying Numbers and Questioned Costs, Identifying Number 2016-005

**Identifying Number: 2016-015**

See Section III. Federal Award Identifying Numbers and Questioned Costs, Identifying Number 2016-006

**Identifying Number: 2016-016**

See Section III. Federal Award Identifying Numbers and Questioned Costs, Identifying Number 2016-007

**Identifying Number: 2016-017**

See Section III. Federal Award Identifying Numbers and Questioned Costs, Identifying Number 2016-008

**Carteret County, North Carolina**

**Summary Schedule of Prior Year Audit Findings  
Year Ended June 30, 2016**

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**Identifying Number: 2015-001 (State Award)**

Audit Finding: During testing of Department of Social Services (DSS) Crosscutting Requirements – DSS 1571, Part II (Charging of Costs – General), an expenditure was identified for a new vehicle which was purchased 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 testing.

Corrective Action Taken: DSS reassigned the responsibility for creating and sending the letter to the Controller's office regarding the purchase of vehicles from DSS clerical to DSS financial staff, which would alleviate this issue going forward.

**Identifying Number: 2015-002 (State Award)**

Audit Finding: During testing of Department of Social Services (DSS) Crosscutting Requirements – DSS 1571, Special Tests & Provisions for Computer Equipment/Services, an expenditure was identified for multiple platform software licenses to be used by all agency personnel for official business in programs across all DSS areas, for which no Computer Equipment Acquisition Plan (CEAP) was submitted for required written prior approval as of the date of testing.

Corrective Action Taken: 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.

**Schedule of Expenditures of Federal and State Awards  
Year Ended June 30, 2016**

	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	\$ -	\$ 27,623
			22,489	-	27,623
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		212,731	-	22,404
Benefit Payments - noncash					
	10.557		873,821	-	-
			1,086,552	-	22,404
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		470,222	-	470,221
Food Stamp Fraud Admin					
	10.561		31,452	-	31,452
Food Stamp County Incentive					
	10.561		-	(202)	-
<b>Total Food and Nutrition Services Cluster:</b>					
			501,674	(202)	501,673
<b>Total US Department of Agriculture</b>					
			1,610,715	(202)	551,700
<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		5,730	-	-
<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		63,954	-	-
<b>US Department of Interior:</b>					
Direct Program:					
Administered by County Finance Department:					
National Forest, Public Schools					
	15.225		40,695	-	-
<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		163,739	10,234	30,701
Capital Grant					
	20.509		197,679	24,710	24,710
Elderly Individuals and Individual with Disabilities					
	20.513		101,760	-	101,760
Job Access and Reverse Communitie (JARC)					
	20.516		49,999	-	49,999
<b>Total US Department of Transportation</b>					
			513,177	34,944	207,170

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)  
Year Ended June 30, 2016**

	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		\$ 3,242	\$ -	\$ 3,242
SCAAP - State Criminal Alien Assistance Program	16.606		5,172	-	-
Operation Pills Can Kill	16.738		45,177	-	15,059
			<u>53,591</u>	<u>-</u>	<u>18,301</u>
Administered by County Rape Crisis Department					
Basic SA Services	16.575		16,756	-	4,189
2015 VOCA - Special Priority	16.575		37,304	-	9,326
Bi-Lingual Victim Advocate/ Interpreter	16.575		5,185	-	1,296
			<u>59,245</u>	<u>-</u>	<u>14,811</u>
<b>Total US Department of Justice</b>			<u>112,836</u>	<u>-</u>	<u>33,112</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		89,238	5,250	10,498
HCCBG Preventive Health	93.043		14,723	867	1,472
HCCBG - Access Title III B	93.044		22,580	1,328	2,657
HCCBG Congregate Nutrition Title III C1	93.045		80,157	4,715	9,430
HCCBG Home Delivered Meals Title III C2	93.045		16,873	993	1,985
NSIP-Nutrition	93.053		16,088	-	-
<b>Total Aging Cluster</b>			<u>239,659</u>	<u>13,153</u>	<u>26,042</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		10,811	309	1,235
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		276,275	-	131
Work First Administration	93.558		121,098	-	136,495
Work First Service	93.558		608,735	-	502,245
<b>Total TANF</b>			<u>1,006,108</u>	<u>-</u>	<u>638,871</u>
Family Preservation	93.556		22,197	-	-
Special Children Adoption	93.558		-	108,000	-
AFDC Payments & Penalties	93.560		(719)	(197)	(197)

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)  
Year Ended June 30, 2016**

	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		\$ 510,022	\$ -	\$ 262,738
IV-D Offset Fees ESC	93.563		118	-	61
IV-D Offset Fees Federal	93.563		1,693	-	872
			<b>511,833</b>	<b>-</b>	<b>263,671</b>
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		241,000	-	-
Administration	93.568		38,612	-	-
Crisis Intervention payments	93.568		96,075	-	-
			<b>375,687</b>	<b>-</b>	<b>-</b>
Passed through NC Department of Health and Human Services:					
Administered by Carteret County Department of Social Services:					
Division of Child Development					
Subsidized Child Care Cluster					
Child Care Development Fund Cluster					
Division of Social Services					
Child Care Development Fund-Administration	93.596		80,502	-	-
Division of Child Development					
Child Care & Development Fund-Discretionary	93.575		866,814	-	-
Child Care & Development Fund-Mandatory	93.596		267,909	-	-
Child Care & Development Fund-Match	93.596		160,404	26,100	-
Total Child Care Fund Cluster			<b>1,375,629</b>	<b>26,100</b>	<b>-</b>
Temporary Assistance for Needy Families	93.558		241,556	-	-
Foster Care Title IV-E	93.658		17,292	8,876	-
State Appropriations			-	148,197	-
TANF- MOE			-	95,938	-
<b>Total Subsidized Child Care Cluster</b>			<b>1,634,477</b>	<b>279,111</b>	<b>-</b>
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		10,754	-	3,584
Foster Care and Adoption Cluster:					
Title IV-E Foster Care:					
IV E CPS	93.658		46,707	28,610	18,096
IV-E Optional Adopt TRN 50%	93.659		11,878	-	11,878
IV-E Family Foster Care MAX	93.658		2,220	-	1,133
Foster Care payments	93.658		81,455	20,809	20,809
IV-E Foster Care /OFF TRN	93.658		181,326	-	181,326
IV-E Foster Care TRN	93.658		1,914	-	638
IV-E Foster Care in Excess	93.658		32,245	8,242	8,243
IV-E Admin County Paid to CCI	93.658		12,930	6,465	6,465
IV-E Adoption Training	93.659		979	-	326
IV-E Adoption / Off Trn	93.659		9,839	-	9,839
IV-E adoption subsidy and vendor	93.659		409,472	105,203	105,203
Foster Care	N/A		25,674	-	40,233
<b>Total Foster Care and Adoption Cluster</b>			<b>816,639</b>	<b>169,329</b>	<b>404,189</b>

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)  
Year Ended June 30, 2016**

	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		\$ 8,210	\$ -	\$ 1,173
In-home Services - SSBG other services	93.667		164,311	15,818	60,043
CPS TANF to SSBG	93.667		55,430	-	-
			<u>227,951</u>	<u>15,818</u>	<u>61,216</u>
Passed through NC Department of Health and Human Services:					
Administered by County Department of Social Services:					
Independent Living Transitional	93.674		3,638	-	-
Links	93.674		9,282	2,320	-
			<u>12,920</u>	<u>2,320</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		1,042,499	46,266	-
Expansion	93.778		118,793	-	118,793
ADT CR HM CS Mgt/Spec	93.778		6,692	3,346	3,346
Benefit payments	93.778		51,161,548	27,548,652	2,819
Transportation Service	93.778		10,258	5,252	-
State County Special Assistance	93.778		27,166	-	9,154
DMA Equipment	N/A		23,897	-	7,966
Division of Social Services					
Administered by Carteret County DSS:					
Medical Assistance Administration	93.778		1,640,496	-	397,924
Transportation Administration	93.778		127,748	-	127,748
			<u>54,159,097</u>	<u>27,603,516</u>	<u>667,750</u>
Division of Social Services					
Administered by Carteret County DSS:					
State Children's Insurance Program - NC Health Choice	93.767		40,538	1,739	187
			<u>40,538</u>	<u>1,739</u>	<u>187</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	-	43,849
Project Grants & Cooperative Agreements for Tuberculosis Control	93.116		43	-	-
Immunization Grants	93.268		9,873	-	-
Preventive Health & Human Services Block Grant funded solely with Prevention & Public Health Funds (PPHF)	93.758		7,886	-	-
Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919		9,757	-	-
HIV Prevention Activities Health Department Based	93.940		1,999	-	-
Preventive Health Services-Sexually Transmitted Diseases Control	93.977		241	-	-
Child Lead Poisoning Prevention Surveillance	93.753		9,916	-	-
			<u>76,863</u>	<u>-</u>	<u>43,849</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		50,978	33,495	157,753
			<u>50,978</u>	<u>33,495</u>	<u>157,753</u>

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)  
Year Ended June 30, 2016**

	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		\$ 116,863	\$ -	\$ 118,718
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>59,316,061</b>	<b>28,226,593</b>	<b>2,386,868</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		126,943	-	-
<b>Total US Department of Housing &amp; Urban Development</b>			<b>126,943</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 Hurricane Exercise	97.067		8,000	-	-
<b>Total US Department of Homeland Security</b>			<b>8,000</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			-	8,023	-
County Funded Programs			-	-	1,659,900
Non-Allocating County Cost			-	-	280,636
St Child Welfare/ CPS/ CS LD			-	35,269	-
DCD Smart Start			-	(299)	-
FS DOR Incentive			-	(33)	-
Work First Non Reimbursable			-	-	159,366
AFDC Incent / Prog Integrity			-	726	-
CWS Adopt Subsidy & Vendor			-	202,176	63,641
SC/SA Certain Disabled PY			-	546	546
SC/SA Domiciliary Care payment			-	368,641	368,641
SFHF Maximization			-	68,251	68,250
State Foster Home			-	51,123	51,123
			-	734,423	2,652,103

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)  
Year Ended June 30, 2016**

	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			\$ -	\$ 29,216	\$ 3,246
HCCBG - In Home Support			-	179,348	19,928
HCCBG - Home Delivered Meals			-	24,964	2,774
			-	233,528	25,948
Division of Public Health					
Administered by the County Health Department					
Other Receipts/ State Supported Expenditures					
Food and Lodging Fees			-	20,097	-
General Aid to County			-	80,139	-
Communicable Disease			-	1,756	-
Breast and Cervical Cancer Program			-	6,375	-
Child Health			-	1,841	-
Maternal Health (HMHC)			-	7,757	-
Women's Health Service Fund			-	3,496	-
HIV/STD SSBG Aid			-	500	-
Sexually Transmitted Diseases			-	358	-
Tuberculosis			-	10,964	-
TB Medical Service			-	1,529	-
School Nurse Funding Initiative			-	50,000	-
			-	184,812	-
<b>Total NC Department of Health and Human Services</b>			-	1,152,763	2,678,051
<b>NC Department of Environment and Natural Resources:</b>					
Natural Resources Division:					
Passed through County Finance Office:					
White Goods Disposal			-	34,475	-
Scrap Tire Disposal			-	91,974	-
<b>Total NC Department of Environment and Natural Resources</b>			-	126,449	-

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)  
Year Ended June 30, 2016**

	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			\$ -	\$ 37,658	\$ 37,658
Administered by County Finance Department:					
Services for Court Referrals					
Boys and Girls Club program			-	48,335	-
Easter Seals Home Based Services - Building Bridges			-	47,236	25,483
Juvenile Crime Prevention			-	4,680	-
Teen Court			-	46,391	-
			-	146,642	25,483
<b>Total NC Department of Public Safety</b>			-	184,300	63,141
<b>NC Department of Administration:</b>					
Division of Veterans Affairs:					
Administered by the County Veterans Services					
Veteran Services			-	1,525	311,998
Division of NC-CFW					
Administered by the County Rape Crisis Department					
Sexual Assault Grant Rape Crisis			-	51,560	10,312
<b>Total NC Department of Administration</b>			-	53,085	322,310
<b>NC Department of Agriculture:</b>					
Administered by the County Health Department					
Spay and Neuter Program			-	1,330	-
<b>NC Department of Public Instruction:</b>					
Public School Building Capital Fund					
Administered by the County Finance Department					
Lottery Proceeds Allocation			-	600,000	-
<b>NC Department of Transportation</b>					
Administered by the Carteret County Transportation Department					
DOT ROAP RGP Grant		DOT-16CL	-	85,970	9,552
DOT ROAP Employment Grant		DOT-16CL	-	18,381	2,042
DOT Elderly and Disabled		DOT-16CL	-	71,515	7,945
<b>Total NC Department of Transportation</b>			-	175,866	19,539
<b>Total Federal Expenditures</b>			<u>\$ 61,798,111</u>		
<b>Total State Expenditures</b>				<u>\$ 30,555,128</u>	
<b>Total Local Expenditures</b>					<u>\$ 6,261,891</u>

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

**Carteret County, North Carolina**

**Notes to Schedule of Expenditures of Federal and State Awards  
Year Ended June 30, 2016**

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards (the "Schedule") includes the federal and State award activity of Carteret County, North Carolina, primary government, under programs of the federal and State government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Carteret County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Carteret County.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Carteret County's indirect costs are determined by a State-approved plan contracted annually with DMG Maximus, Inc. and therefore has elected not to use the 10-Percent de minimis indirect cost rate as allowed under the Uniform Guidance.

In accordance with guidance issued by the United States Department of Agriculture (USDA), Food and Nutrition Service Division, direct benefits payments for the Supplemental Nutrition Assistance Program (SNAP), formerly the Food Stamp Program, of \$11,863,392 have not been reported as expenditures in the basic financial statements or in the Schedule.

**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**

Carteret County has outstanding loan balances from federal and State funding sources that are not required to be presented within the Schedule because there are no continuing requirements beyond the repayment of the loan balances in accordance with loan agreement provisions. The loan funds were presented in the Schedule in the years of their expenditures.

The following is a summary of changes in the County's long-term outstanding loan balances of the USDA Water Revenue Bond and the NC Department of Environment and Natural Resources (NCDENR) Drinking Water State Revolving Fund for the fiscal year ended June 30, 2016:

	Beginning Balance June 30, 2015	Additions	Retirements	Ending Balance June 30, 2016
Revenue Bond	\$ 1,030,000	\$ -	\$ 16,000	\$ 1,014,000
Installment purchase obligations	1,788,256	-	171,032	1,617,224
	<u>\$ 2,818,256</u>	<u>\$ -</u>	<u>\$ 187,032</u>	<u>\$ 2,631,224</u>

**Note 5. Cluster of Programs**

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.

