

# **Carteret County, North Carolina**

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2012

Prepared by the Finance Department  
Dee Meshaw, Assistant County Manager Finance and Administration

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## **Introductory Section**

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**Letter of Transmittal**

**List of Principal Officials**

**Organizational Chart**

**Map of Carteret County, North Carolina**

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# *Carteret County Finance*

Denise H. Meshaw, CPA  
Assistant County Manager  
Finance & Administration



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

November 19, 2012

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, 2012.

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

The County's financial statements have been audited by McGladrey LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2012 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended June 30, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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



## **Profile of the County**

Carteret County, incorporated in 1722, is a growing county located on the central coastline of North Carolina with approximately 67,700 residents living in or around municipalities and rural “Down East” maritime communities. Carteret County contains 526 square miles of land area and a coastline nearly 80 miles long. The County is bordered on the north by the Pamlico Sound and on the east and south by the Atlantic Ocean. Eleven municipalities are located within the County, with Morehead City being the largest. Beaufort, the third oldest town in North Carolina, serves as the County seat.

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

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

The annual budget serves as the foundation for the County’s financial planning and control. All agencies of the County are required to submit requests for appropriation to the county manager’s office on or before the end of February each year. The appropriated budget is prepared by fund, function (e.g. public safety), and department (e.g. law enforcement). Department heads may make transfers of appropriations within a department. The County manager may transfer amounts between objects of expenditures and revenues within a department without limitation. He may transfer amounts up to \$20,000 between departments of the same fund. He may not transfer any amount between funds or from contingency appropriation within any fund without action of the Board of Commissioners. The manager may also transfer amounts within and between funds for the sole purpose of funding salary and benefits adjustments consistent with the Carteret County personal policy. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 35 as part of the basic financial statements for the governmental funds. Also included in the governmental fund subsection are project-length budget-to-actual comparisons for each governmental fund for which a project-length budget has been adopted (i.e. the special revenue funds and the capital projects funds).

## **Factors Affecting Financial Condition**

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

## **Local Economy**

The County economy continues to be slightly better than the state’s economy. Annual unemployment average was 9.30% for the County compared to 8.35% in the prior year, and those rates are lower than the state’s average unemployment rate of 10.14%. Even in this slow economy, the tourism industry continues to perform well with an average annual economic impact of \$278.74 million, a 2.74% increase from the previous year. Carteret County ranks fourteenth in the state for tourism. In addition, the county continues to be diverse with manufacturing, distribution, research, and the construction trades.

## Industrial Parks

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

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

## Morehead City State Port

The Morehead City Port is one of the deepest ports on the east coast with a forty-five foot depth and only four miles from the Atlantic Ocean. The port handles both break bulk and bulk cargo and is the second largest importer in the country for natural rubber. Commodities such as rubber, phosphate, lumber, steel, and wood pulp go through the port. The NC Ports Authority reported a 7 percent increase in revenues from the 2011 fiscal year. In fiscal year 2012, the Morehead City port exported more than 208,000 tons of wood chips, and realized 9 percent increase in the movement of metal products and 6 percent increase in imported raw rubber.

## Retail

Retail continues to expand in Carteret County. The County continues to see modest expansion in chain restaurants and retail. Some highlights of expansion last fiscal year included completion of Dick's Sporting Goods, Five Guys Burgers, Goody's Clothing Store, Big Lots, and multiple Duncan Donuts locations. Longhorn Steakhouse construction should be completed in the 2013 fiscal year.

The following table lists the 10 largest manufacturing and nonmanufacturing employers in the County in 2012:

Employer	Service	Approximate Number of Employees
Carteret County Public Schools	Education	1,076
Carteret General Hospital	Medical	1,000
NC Department of Transportation	Transportation	553
Carteret County	Government Service	548
Wal-Mart	Retail	424
Carteret Community College	Education	381
US Coast Guard	Military	275
Lowed Home Improvements	Retail	274
Lowe's Foods	Retail	237
Food Lion	Retail	200

Source: Carteret County Economic Development Council

## **Long-Term Financial Planning**

The County's total operating budget for the fiscal year ending June 30, 2013 totals \$91,303,385 with a General Fund tax rate of \$.29 per \$100 of assessed value, based on a total valuation of \$15.16 billion. The County's assessed value represents approximately a .5% increase from the assessed value used in the June 30, 2012 budget. The County anticipates slight growth in its tax base for the fiscal year ending June 30, 2013. For the County's operating budget for the fiscal year June 30, 2014, it is anticipated that the tax rate would need to be between \$.29 and \$.31 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 continues to fund construction and building improvements to our county schools. There is \$9.71 million of general obligation bonds authorized but unissued from the November 2005 referendum. The County does not anticipate issuing these bonds during the 2013 fiscal year. In addition to school needs, the County is developing a facilities master plan to address space needs for social services, courts, Sheriff Division, and County administration needs.

The County continues its initiatives in the fiscal year 2013 budget to improve emergency communications. The fiscal year 2013 budget funds communication equipment and expanded staffing levels.

The County continues major improvements to the County's water system over the next fiscal year. Currently, the project is being constructed and should be completed by December 2012. The estimated construction cost is \$3.51 million and will be funded by grants and USDA revenue bonds.

## **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, 2011. This was the fifteenth consecutive year that Carteret County has received this prestigious award. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, the County also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year ended June 30, 2012. In order to qualify for the Distinguished Budget Presentation Award, the County's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

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

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

Sincerely,

Dee H. Meshaw  
Assistant County Manager Finance & Administration

# CARTERET COUNTY, NORTH CAROLINA

## LIST OF PRINCIPAL OFFICIALS JUNE 30, 2012

### BOARD OF COMMISSIONERS

ROBIN COMER  
Chairman  
Stella, North Carolina

HOLT FAIRCLOTH  
Morehead City, North Carolina

DOUGLAS HARRIS  
Atlantic Beach, North Carolina

PAT JOYCE  
Vice Chairman  
Beaufort, North Carolina

GREGORY LEWIS  
Morehead City, North Carolina

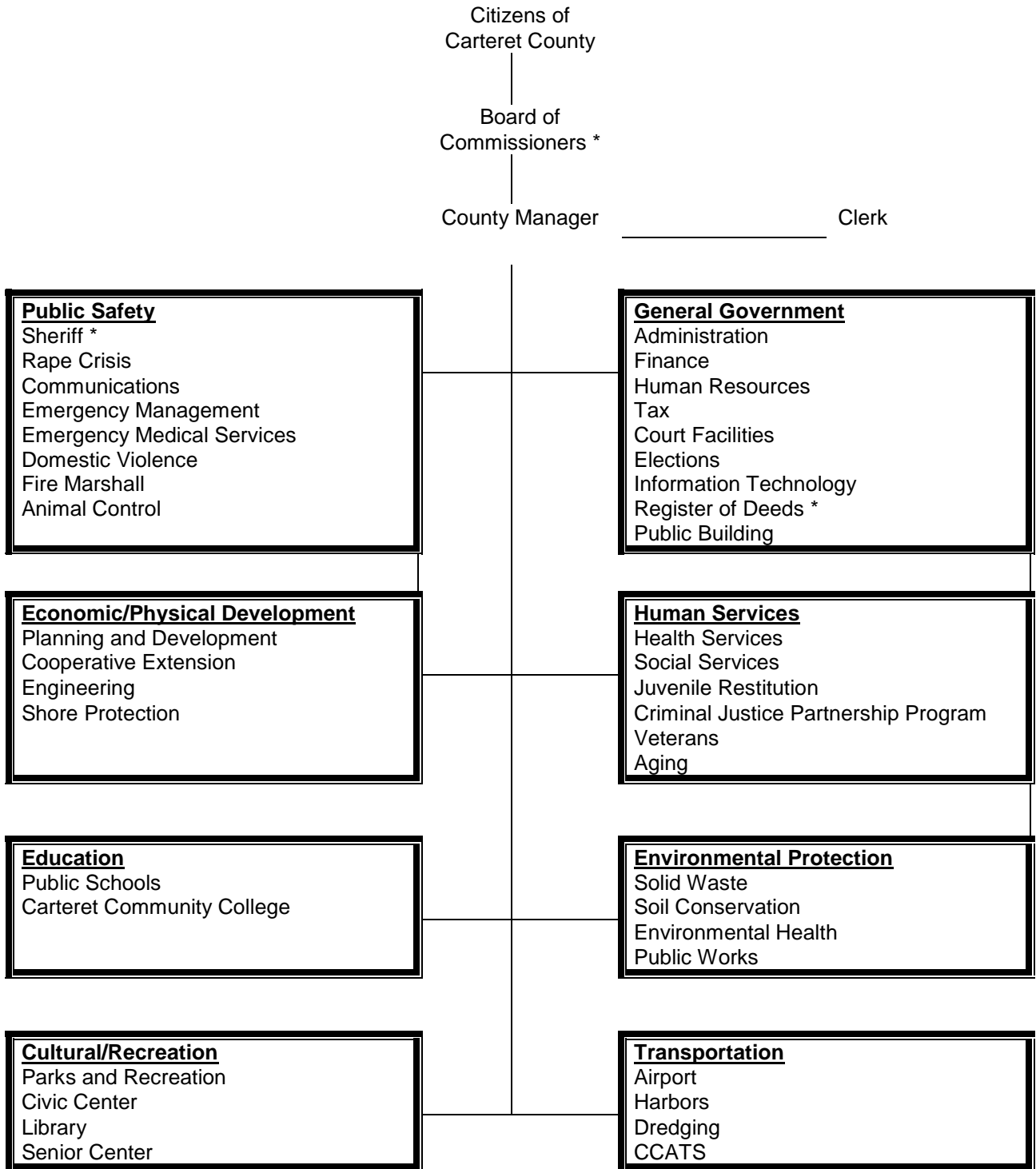
BILL SMITH  
Newport, North Carolina

JONATHAN ROBINSON  
Atlantic, North Carolina

### COUNTY OFFICIALS

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

**Carteret County, North Carolina  
Organizational Chart**



\* Elected Officials

**MAP OF  
CARTERET COUNTY, NORTH CAROLINA**



<b><u>Carteret County</u></b>	
Population	67,696
Area	526 sq. miles
Date Est.	1722
County Seat	Beaufort

# 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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Sandison*

President

*Jeffrey R. Enow*

Executive Director





## **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 Board of County Commissioners  
Carteret County, North Carolina  
Beaufort, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carteret County, North Carolina (the "County"), as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Beaufort-Morehead City Airport Authority, Carteret County Tourism Development Authority, Carteret County Alcoholic Beverage Control ("ABC") Board or Carteret County General Hospital Corporation, which constitute all of the County's discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Carteret County ABC Board and Carteret County General Hospital Corporation, each discretely presented component units, were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Carteret County, North Carolina, as of June 30, 2012, and the respective changes in financial position and the cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2012, on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Required Supplementary Information on pages 15 through 25 and 89 through 92, respectively, 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 the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carteret County, North Carolina's basic financial statements. The individual fund financial statements and schedules, budgetary schedules and other financial data listed in the table of contents as "other supplementary information", as well as the Schedule of Expenditures of Federal and State Awards (in the compliance section) as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements of Carteret County, North Carolina. 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 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 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 individual fund financial statements and schedules, other financial data, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carteret County, North Carolina's basic financial statements. The introductory section and statistical tables of the Comprehensive Annual Financial Report are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*McGladrey LLP*

Morehead City, North Carolina  
November 19, 2012

## Carteret County, North Carolina

### Management's Discussion and Analysis (Unaudited) June 30, 2012

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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, 2012. 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

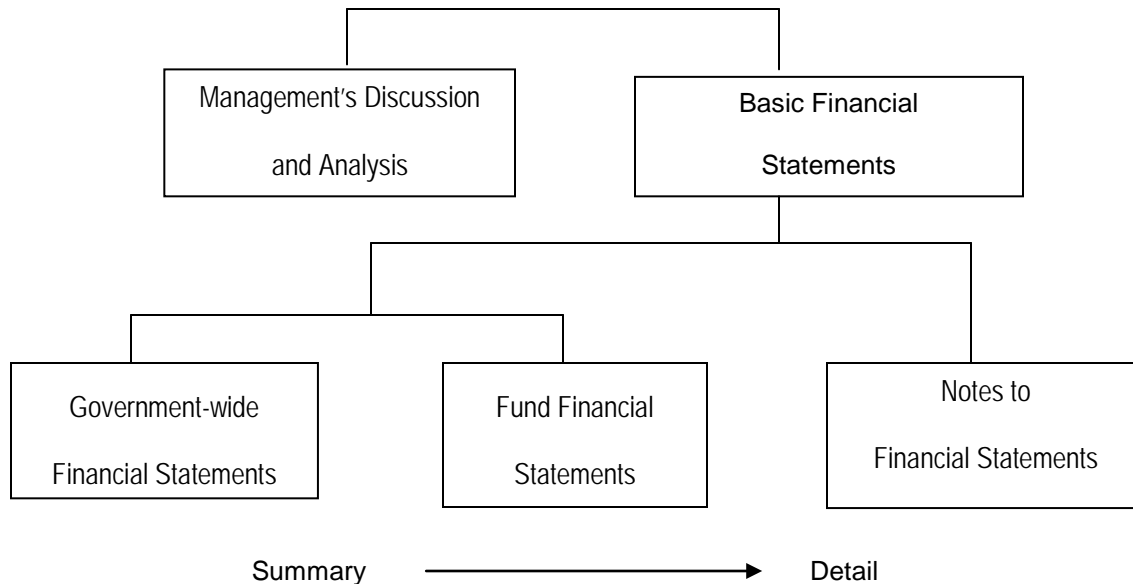
- The assets of Carteret County (primary government) were greater than its liabilities at the close of the fiscal year by \$22,670,559 (*net assets*).
- The government's total net assets increased by \$8,686,611, primarily due to increased governmental activities in the General Fund.
- As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$55,565,939, after a net increase in fund balance of \$3,055,647. Approximately 48.8 percent of this total amount, or \$27,127,278 is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$25,101,604 or 33.83 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 \$6,701,550 due to retiring debt principal.
- The County maintained its AA+ (Standard & Poor's and Fitch Ratings) and Aa1 (Moody's Investor Services) for one 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 assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gauge the County's financial condition.

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

The government-wide financial statements are on pages 28 – 31 of this report.

### Fund Financial Statements

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

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



**Management's Discussion and Analysis (Unaudited)  
June 30, 2012**

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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 32 – 36 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 Assets and the Statement of Activities. The proprietary fund financial statements are on pages 38 – 42 of this report.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The County has five agency funds. The fiduciary fund financial statements are on page 42 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 44 – 85 of this report.

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

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the County exceeded liabilities by \$22,670,559 as of June 30, 2012. The County's net assets increased by \$8,686,611 for the fiscal year ended June 30, 2012. Net assets are reported in three categories: invested in capital assets, net of related debt of \$31,885,719, restricted net assets of \$24,685,705, and unrestricted net assets (deficit) of (\$33,900,865).

**Carteret County, North Carolina**

**Management's Discussion and Analysis (Unaudited)  
June 30, 2012**

The invested in capital assets, net of related debt category is defined as the County's investment in County owned capital assets (e.g. land, buildings, 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 assets is restricted net assets. This represents resources that are subject to external restriction on how they may be used. The final category of net assets is unrestricted net assets. This balance may be used to meet the government's ongoing obligation to citizens and creditors. At June 30, 2012, the total unrestricted net assets reported a deficit of \$33,900,865. Of the County's net assets, \$24,685,705 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 assets is due primarily to the portion of the County's outstanding debt incurred for the County Board of Education (the "school system") and Carteret Community College. Under North Carolina law, the County is responsible for providing capital funding for the school system and the community college. The County has chosen to meet its legal obligation to provide the school system capital funding by using a mixture of County funds, general obligation debt, and installment debt. The assets are funded by the County; however, the assets are owned and utilized by the school system and the community college, and are reported by those entities. As the County, as the 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 \$64.81 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 Assets**

**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 64,551,820	\$ 60,938,553	\$ (292,202)	\$ 697,149	\$ 64,259,618	\$ 61,635,702
Capital assets	27,519,612	28,337,028	8,763,459	7,598,188	36,283,071	35,935,216
<b>Total assets</b>	<b>92,071,432</b>	<b>89,275,581</b>	<b>8,471,257</b>	<b>8,295,337</b>	<b>100,542,689</b>	<b>97,570,918</b>
Long-term liabilities						
outstanding	69,228,948	75,141,513	3,368,347	3,536,102	72,597,295	78,677,615
Other liabilities	4,736,807	4,746,283	538,028	163,072	5,274,835	4,909,355
<b>Total liabilities</b>	<b>73,965,755</b>	<b>79,887,796</b>	<b>3,906,375</b>	<b>3,699,174</b>	<b>77,872,130</b>	<b>83,586,970</b>
Net assets:						
Invested in capital assets, net of related debt	26,469,612	26,022,027	5,416,107	4,079,804	31,885,719	30,101,831
Restricted	24,685,705	24,524,242	-	-	24,685,705	24,524,242
Unrestricted	(33,049,640)	(41,158,484)	(851,225)	516,359	(33,900,865)	(40,642,125)
<b>Total net assets</b>	<b>\$ 18,105,677</b>	<b>\$ 9,387,785</b>	<b>\$ 4,564,882</b>	<b>\$ 4,596,163</b>	<b>\$ 22,670,559</b>	<b>\$ 13,983,948</b>

**Carteret County, North Carolina**

**Management's Discussion and Analysis (Unaudited)  
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**Governmental activities:** Governmental activities increased the County's net assets by \$8,717,892 from fiscal year 2011. Key elements of this increase are as follows:

- Governmental activities property taxes increased approximately \$283,000 from fiscal year 2011. The County adopted a revenue neutral General Fund ad valorem property tax rate of thirty cents per \$100 assessed value from fiscal year 2011 to fiscal year 2012.
- Increases in other taxes were approximately \$997,000 from the prior fiscal year. The sales tax increases made up most of the increase with a small portion of increase in occupancy tax.
- Other revenue increased \$2,287,160 from prior fiscal year. Most of the increase was due to the sale of right-of-way property to the State of North Carolina.
- Governmental activities charges for services increased \$134,515 from the previous fiscal year. This was primarily due to increases in Register of Deeds fees, public safety charges, civic center charges, and health center charges in human services.
- Operating grants and contributions increased \$1,296,257. This increase was due to Homeland Security grants and increased Department of Social Services funding.
- Education expenses decreased approximately \$3.25 million from the prior year due to completion of major building renovation projects.
- Public safety expenses decreased approximately \$1.53 million from the prior fiscal year. The decreases were primarily due to the completion of the Consolidated 911 Center in the previous fiscal year.
- Environmental protection expenses increased \$758,681 from the prior fiscal year. The increase was due to debris cleanup from Hurricane Irene.

**Business-type activities:** Business-type activities decreased the County's net assets by \$31,281. The primary factor for the decrease was due to up-front grant-eligible expenses that cannot be reimbursed from the grant until the project is complete. The water improvements project should be complete by December 2012.

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited)  
June 30, 2012

The County's Changes in Net Assets

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 5,430,312	\$ 5,295,797	\$ 526,067	\$ 457,668	\$ 5,956,379	\$ 5,753,465
Operating grants and contributions	13,662,292	12,366,035	-	-	13,662,292	12,366,035
Capital grants and contributions	583,321	504,310	3,618	384,395	586,939	888,705
General revenues:						
Property taxes	51,442,461	51,159,340	-	-	51,442,461	51,159,340
Other taxes	17,644,139	16,647,121	-	-	17,644,139	16,647,121
Other	3,445,784	1,158,624	9,332	8,679	3,455,116	1,167,303
<b>Total revenues</b>	<b>92,208,309</b>	<b>87,131,227</b>	<b>539,017</b>	<b>850,742</b>	<b>92,747,326</b>	<b>87,981,969</b>
Expenses:						
General government	5,926,629	6,290,765	-	-	5,926,629	6,290,765
Public safety	17,566,816	19,094,741	-	-	17,566,816	19,094,741
Transportation	1,288,106	1,107,365	-	-	1,288,106	1,107,365
Economic and physical development	6,917,827	4,925,627	-	-	6,917,827	4,925,627
Environmental protection	4,032,723	3,274,042	-	-	4,032,723	3,274,042
Human services	15,880,099	15,713,990	-	-	15,880,099	15,713,990
Cultural and recreation	3,469,307	2,108,234	-	-	3,469,307	2,108,234
Education	25,368,980	28,623,466	-	-	25,368,980	28,623,466
Interest on long-term debt	2,794,930	3,087,406	-	-	2,794,930	3,087,406
Water	-	-	815,298	849,324	815,298	849,324
<b>Total expenses</b>	<b>83,245,417</b>	<b>84,225,636</b>	<b>815,298</b>	<b>849,324</b>	<b>84,060,715</b>	<b>85,074,960</b>
<b>Increase (decrease) in net assets before transfers</b>	<b>8,962,892</b>	<b>2,905,591</b>	<b>(276,281)</b>	<b>1,418</b>	<b>8,686,611</b>	<b>2,907,009</b>
Transfers	(245,000)	(305,000)	245,000	305,000	-	-
<b>Increase (decrease) in net assets</b>	<b>8,717,892</b>	<b>2,600,591</b>	<b>(31,281)</b>	<b>306,418</b>	<b>8,686,611</b>	<b>2,907,009</b>
Net assets, July 1,	9,387,785	6,787,194	4,596,163	4,289,745	13,983,948	11,076,939
<b>Net assets, June 30</b>	<b>\$ 18,105,677</b>	<b>\$ 9,387,785</b>	<b>\$ 4,564,882</b>	<b>\$ 4,596,163</b>	<b>\$ 22,670,559</b>	<b>\$ 13,983,948</b>

### **Financial Analysis of the County's Funds**

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

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

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, fund balance unassigned in the General Fund was \$25,101,604, while total fund balance reached \$46,831,356. 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 33.83 percent of general fund expenditures, while total fund balance represents 63.12 percent of that same amount.

At June 30, 2012, the governmental funds of the County reported a combined fund balance of \$55,565,939, a 5.82 percent increase from last year. The primary reason for this increase is due to the increase in fund balance in the General Fund which is highlighted below.

### **General Fund Budgetary Highlights**

During fiscal year 2012, the County's financial picture was good. Revenues were more than budgeted by \$1,132,864. Ad valorem taxes and intergovernmental revenues were \$1,196,510 greater than budgeted; however, it is partially offset by intergovernmental 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 \$2,955,426 and expenditure appropriations by \$4,949,451. The appropriations increase was mostly due to the increases in general government, public safety, environmental protection, economic and physical development, education and the County's human services departments.

The County's expenditures were less than the budgeted amount by \$3.15 million, and most of the savings are in the human services programs of \$1.04 million, as well as general government, public safety, economic and physical development, environmental protection, transportation and culture and recreation.

**Carteret County, North Carolina**

**Management's Discussion and Analysis (Unaudited)  
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**Proprietary Funds.** The County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net deficit of the Water Fund at the end of the fiscal year was (\$851,225). The deficit in unrestricted net assets is due to the County up fronting funds for the capital improvements. The County does not receive the grant funds for water system improvements projects until the projects are completed. Other factors affecting the finances of this fund were water fees greater than anticipated and various operating expenses, such as maintenance and small equipment, that were less than budgeted. As in previous years, the Water Fund is not self supporting and relies on the water taxing district revenues to transfer into the Water Fund. Fiscal year 2012 was the first year a tax was levied in this newly established district. Previously, the Water Fund relied on General Fund transfers. The fiscal year 2012 transfer from the taxing district was \$245,000 compared to the \$305,000 transfer from the General Fund for fiscal year 2011.

**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, 2012, totals \$36,283,071 (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:

- Park improvements, such as completing improvements at Western Park and purchasing land for the Scenic By-way kiosk.
- Purchase of vehicles in departments including six Sheriff Department vehicles.
- The County received donated assets during the year. The Airport Authority donated approximately \$1.4 million of right-of-way property that the County sold to NC Department of Transportation for \$1.4 million. In addition, Time Warner donated the County video and television equipment that the County in turn donated to the Carteret County Board of Education.
- Water fund assets included the purchase of land and construction in progress for water system improvements. The total estimated cost of improvements at completion is \$3.51 million.

**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	
	2012	2011	2012	2011	2012	2011
Land	\$ 5,582,361	\$ 5,277,196	\$ 70,298	\$ 70,298	\$ 5,652,659	\$ 5,347,494
Buildings	11,741,753	12,432,529	1,507,033	1,577,675	13,248,786	14,010,204
Water lines	-	-	4,115,345	4,339,414	4,115,345	4,339,414
Vehicles	731,566	938,439	1	2,157	731,567	940,596
Equipment	1,550,775	1,390,585	31,962	40,115	1,582,737	1,430,700
Airport facilities	20,461	41,302	-	-	20,461	41,302
Other improvements	5,517,733	5,767,939	-	-	5,517,733	5,767,939
Leasehold improvements	2,340,583	2,470,104	-	-	2,340,583	2,470,104
Construction in progress	34,380	18,934	3,038,820	1,568,529	3,073,200	1,587,463
<b>Total</b>	<b>\$ 27,519,612</b>	<b>\$ 28,337,028</b>	<b>\$ 8,763,459</b>	<b>\$ 7,598,188</b>	<b>\$ 36,283,071</b>	<b>\$ 35,935,216</b>

**Carteret County, North Carolina**

**Management’s Discussion and Analysis (Unaudited)  
June 30, 2012**

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

**Long-Term Debt.** As of June 30, 2012, the County had total general obligation bonded debt outstanding of \$45,100,000, all of which is debt backed by the full faith and credit of the County. All other debt is covered by pledged collateral and is subject to appropriation. A summary of total long-term debt is shown in Figure 5.

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

**Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 45,100,000	\$ 48,745,000	\$ -	\$ -	\$ 45,100,000	\$ 48,745,000
Certificate of participation	4,660,000	5,155,000	-	-	4,660,000	5,155,000
Bond anticipation note	-	-	1,046,000	1,046,000	1,046,000	1,046,000
Installment note payable	16,099,052	18,489,570	2,301,352	2,472,384	18,400,404	20,961,954
<b>Total long-term debt</b>	<b>\$ 65,859,052</b>	<b>\$ 72,389,570</b>	<b>\$ 3,347,352</b>	<b>\$ 3,518,384</b>	<b>\$ 69,206,404</b>	<b>\$ 75,907,954</b>

The County's total debt decreased \$6,701,550 (excluding deferred amounts) during the past fiscal year. The decrease is due to retiring debt principal. Also, the County issued \$4.78 million general obligation bonds to advance refund \$4.8 million callable 2002 general obligation bonds that resulted in \$420,603 of debt service savings over the next 9 years. In addition, the County issued \$4.68 million certificates of participation to advance refund \$4.575 million 2002 certificates of participation that resulted in \$345,451 in debt service savings over the next 11 years.

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

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

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

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin at June 30, 2012, for the County is \$1,130,199,536.

Additional information regarding the County's long-term debt can be found in Note 9 on pages 66 – 71 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, 2012, the unemployment rate for the County averaged 9.30%, compared to the 8.35% for fiscal year 2011. This compares favorably to the state's average unemployment rate of 10.148% for fiscal year 2012. The County is seeing modest residential and commercial development. In addition, the County is realizing increases in sales tax revenues. This modest growth in development combined with other revenue increases, has allowed the County to continue meeting its capital needs and demands for services without tax increases. Because of real property revaluation, the County adopted a revenue neutral ad valorem tax rate of \$.30 cents per \$100 assessed value in fiscal year 2012.

**Budget Highlights for the Fiscal Year Ending June 30, 2013**

**Governmental Activities:** The County has approved a \$76.49 million general fund budget for fiscal year 2013, which represents a \$14.38 million or 15.82% decrease from the amended fiscal year 2012 budget. The net decrease in the budget is primarily due to \$10.84 million decrease in debt service. In fiscal year 2012, debt service required \$10.03 million of budget amendments for the 2002 general obligation bonds and 2002 certificates of participation advance refundings, and the other \$.81 million decrease was due to some financings being paid off. The remaining \$3.54 million of decreases is a combination of \$.95 million of Hurricane Irene expenses budgeted in FY 12, \$.65 million decrease in economic and physical development, \$.78 million decrease in human services, \$.40 million decrease in public safety, and \$.28 million decrease in transportation. The remaining net decrease is due to funding changes in education, transfers to other funds, and contingency. Education funding, including operating, capital and contingency, was increased approximately \$.87 million. Education contingency was established in the budget by the Board of Commissioners due to the uncertainty of federal and state operating funds. The Board of Commissioners approved the contingency in an effort to keep education funding level. In the event that the entire \$1.5 million education contingency is not used for operating, then the funds will be used for education capital.

In the budget, the County's Board of Commissioners decreased the ad valorem property tax rate by one cent per \$100 assessed valuation to \$.29 cents. As a result, property tax revenue decreased approximately \$1.42 million. The Board decreased property taxes due to the projected increase in County fund balance for fiscal year 2012. All revenues are budgeted conservatively, and sales taxes and sales are services are budgeted with small growth from the previous fiscal year. The fiscal year 2013 General Fund budgets \$1,441,215 fund balance appropriation.

Education is the largest service area in terms of its portion of total expenditures. Capital, operating, and contingency education expenditures total \$24,371,000 or 31.86% of the fiscal year 2013 budget. This area includes funding for the public school system and the Carteret County Community College.

Although the Board of Commissioners reduced county department budgets, the Board continues to invest and meet County needs for fiscal year 2013. The Board has funded replacing vehicles and capital equipment.

**Business Activities:** The County continues its \$3.51 million construction project to enhance and improve the County's water treatment system. The improvements include constructing an elevated water storage tank, a booster pump station, and water plant upgrades. The project will also consist of a second elevated water storage tank, construction of two additional booster pump stations, and installation of fire hydrants to offer fire protection improvements throughout the system. The entire project is scheduled to be completed in December 2012. The project is funded with a combination of grants and revenue bonds.

**Requests for Information**

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







Carteret County, North Carolina

Statement of Net Assets  
June 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 5,880,124	\$ 760,459	\$ 6,640,583
Investments	38,374,507	-	38,374,507
Receivables (net)	10,507,108	50,816	10,557,924
Due from component unit	350,810	-	350,810
Internal balances	2,151,522	(2,151,522)	-
Inventories	-	-	-
Prepaid items	-	-	-
Restricted assets:			
Cash and cash equivalents	5,932,278	1,048,045	6,980,323
Investments	696,236	-	696,236
Deferred charges, debt issuance costs	659,235	-	659,235
Other assets	-	-	-
Capital assets:			
Land, improvements, and construction in progress	5,616,741	3,109,118	8,725,859
Other capital assets, net of depreciation	21,902,871	5,654,341	27,557,212
<b>Total capital assets</b>	<b>27,519,612</b>	<b>8,763,459</b>	<b>36,283,071</b>
<b>Total assets</b>	<b>92,071,432</b>	<b>8,471,257</b>	<b>100,542,689</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	3,951,678	448,177	4,399,855
Accrued interest payable	727,740	10,331	738,071
Customer deposits	-	79,520	79,520
Unearned revenue	57,389	-	57,389
Due to primary government	-	-	-
Long-term liabilities:			
Due within one year	7,012,622	1,221,856	8,234,478
Due in more than one year	62,216,326	2,146,491	64,362,817
<b>Total long-term liabilities</b>	<b>69,228,948</b>	<b>3,368,347</b>	<b>72,597,295</b>
<b>Total liabilities</b>	<b>73,965,755</b>	<b>3,906,375</b>	<b>77,872,130</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	26,469,612	5,416,107	31,885,719
Restricted for:			
Public Safety	4,297,717	-	4,297,717
Economic Development	11,479,464	-	11,479,464
Cultural and Recreation	102,739	-	102,739
Register of Deeds	341,557	-	341,557
Human Services	919,286	-	919,286
Stabilization by State Statute	7,544,942	-	7,544,942
Other purposes	-	-	-
Unrestricted (deficit)	(33,049,640)	(851,225)	(33,900,865)
<b>Total net assets</b>	<b>\$ 18,105,677</b>	<b>\$ 4,564,882</b>	<b>\$ 22,670,559</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
\$ 90,578	\$ 175,308	\$ 67,022,692	\$ 1,321,297
-	-	-	-
19,508	809,509	18,389,503	-
-	-	-	-
-	-	-	-
-	-	2,943,257	1,178,437
2,104	-	2,112,846	25,749
-	-	4,330,776	-
-	-	-	-
-	-	-	-
-	-	2,032,555	-
2,667,602	-	3,991,686	1,080,717
2,349,054	131,046	40,195,628	2,736,609
5,016,656	131,046	44,187,314	3,817,326
5,128,846	1,115,863	141,018,943	6,342,809
9,676	11,407	14,798,184	1,204,727
-	-	-	-
-	-	-	-
-	-	4,612,486	-
227,138	-	-	123,672
-	4,503	526,947	1,138,941
-	13,509	522,486	716,919
-	18,012	1,049,433	1,855,860
236,814	29,419	20,460,103	3,184,259
4,789,507	131,046	43,137,881	1,961,465
-	-	-	35,896
-	-	-	-
-	-	-	-
-	-	-	-
3,441	809,509	-	-
-	145,889	664,447	341,529
99,084	-	76,756,512	819,660
\$ 4,892,032	\$ 1,086,444	\$ 120,558,840	\$ 3,158,550

Carteret County, North Carolina

Statement of Activities  
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 5,926,629	\$ 1,642,152	\$ 5,465	\$ -
Public safety	17,566,816	173,546	1,438,146	26,169
Transportation	1,288,106	225,239	352,943	2,400
Economic and physical development	6,917,827	575,489	889,989	354,984
Environmental protection	4,032,723	2,189,986	859,246	-
Human services	15,880,099	346,126	9,074,506	-
Cultural and recreation	3,469,307	277,774	405	111,784
Education	25,368,980	-	53,241	87,984
Interest on long-term debt	2,794,930	-	988,351	-
<b>Total governmental activities</b>	<b>83,245,417</b>	<b>5,430,312</b>	<b>13,662,292</b>	<b>583,321</b>
Business-type activities:				
Water	815,298	526,067	-	3,618
<b>Total primary government</b>	<b>\$ 84,060,715</b>	<b>\$ 5,956,379</b>	<b>\$ 13,662,292</b>	<b>\$ 586,939</b>
Component units:				
Airport Authority	\$ 256,552	\$ 121,741	\$ 103,381	\$ 717,375
Tourism Development Authority	2,741,037	2,715,486	150,000	-
Hospital	113,903,548	127,920,574	370,402	-
ABC Board	8,768,658	8,879,742	-	-
<b>Total component units</b>	<b>\$ 125,669,795</b>	<b>\$ 139,637,543</b>	<b>\$ 623,783</b>	<b>\$ 717,375</b>
General revenues:				
Taxes:				
Property taxes, levied for general purpose				
Local option sales tax				
Other taxes and licenses				
Unrestricted intergovernmental				
Investment earnings, unrestricted				
Miscellaneous, unrestricted				
Total general revenues excluding transfers				
Transfers				
<b>Total general revenues and transfers</b>				
<b>Change in net assets</b>				
Net assets, beginning				
Net assets, ending				

See Notes to Financial Statements.

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

Primary Government			Component Units			
Governmental Activities	Business-Type Activities	Total	Carteret County			
			Beaufort - Morehead City Airport Authority	Tourism Development Authority	Carteret County General Hospital Corporation	Carteret County ABC Board
\$ (4,279,012)	\$ -	\$ (4,279,012)				
(15,928,955)	-	(15,928,955)				
(707,524)	-	(707,524)				
(5,097,365)	-	(5,097,365)				
(983,491)	-	(983,491)				
(6,459,467)	-	(6,459,467)				
(3,079,344)	-	(3,079,344)				
(25,227,755)	-	(25,227,755)				
(1,806,579)	-	(1,806,579)				
<u>(63,569,492)</u>	<u>-</u>	<u>(63,569,492)</u>				
-	(285,613)	(285,613)				
<u>(63,569,492)</u>	<u>(285,613)</u>	<u>(63,855,105)</u>				
			\$ 685,945	\$ -	\$ -	\$ -
			-	124,449	-	-
			-	-	14,387,428	-
			-	-	-	111,084
			<u>685,945</u>	<u>124,449</u>	<u>14,387,428</u>	<u>111,084</u>
51,442,461	-	51,442,461	-	-	-	-
12,895,813	-	12,895,813	-	-	-	-
4,748,326	-	4,748,326	-	-	-	-
780,738	-	780,738	-	-	-	35,896
539,146	9,332	548,478	-	664	458,599	-
2,125,900	-	2,125,900	-	2,338	-	-
<u>72,532,384</u>	<u>9,332</u>	<u>72,541,716</u>	<u>-</u>	<u>3,002</u>	<u>458,599</u>	<u>35,896</u>
<u>(245,000)</u>	<u>245,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>72,287,384</u>	<u>254,332</u>	<u>72,541,716</u>	<u>-</u>	<u>3,002</u>	<u>458,599</u>	<u>35,896</u>
8,717,892	(31,281)	8,686,611	685,945	127,451	14,846,027	146,980
9,387,785	4,596,163	13,983,948	4,206,087	958,993	105,712,813	3,011,570
<u>\$ 18,105,677</u>	<u>\$ 4,564,882</u>	<u>\$ 22,670,559</u>	<u>\$ 4,892,032</u>	<u>\$ 1,086,444</u>	<u>\$ 120,558,840</u>	<u>\$ 3,158,550</u>

Carteret County, North Carolina

**Balance Sheet - Governmental Funds  
June 30, 2012**

	Governmental Fund Types			
	Major Fund		Total	Total
	General	Occupancy Tax Fund	Non-Major Funds	Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 40,695,584	\$ -	\$ 3,559,047	\$ 44,254,631
Receivables, net	7,746,776	868,113	1,110,362	9,725,251
Restricted cash and investments	1,406,095	-	5,222,419	6,628,514
Due from other funds	2,451,718	-	-	2,451,718
Due from component units	350,810	-	-	350,810
<b>Total assets</b>	<b>\$ 52,650,983</b>	<b>\$ 868,113</b>	<b>\$ 9,891,828</b>	<b>\$ 63,410,924</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,757,876	\$ 519,937	\$ 673,865	\$ 3,951,678
Due to other funds	-	265,884	34,312	300,196
Unearned revenue	57,389	-	-	57,389
Deferred revenue	3,004,362	-	531,360	3,535,722
<b>Total liabilities</b>	<b>5,819,627</b>	<b>785,821</b>	<b>1,239,537</b>	<b>7,844,985</b>
Fund balances:				
Restricted:				
Register of Deeds	341,557	-	-	341,557
Recreation Districts	102,739	-	-	102,739
Beach Nourishment	11,102,845	-	-	11,102,845
Stabilization by State Statute	7,544,942	-	-	7,544,942
Sheriff's fund	277,168	-	-	277,168
Health programs	919,286	-	-	919,286
Public safety	-	-	594,250	594,250
Rescue protection	-	-	1,386,031	1,386,031
Fire protection	-	-	2,002,963	2,002,963
School capital	-	-	1,958,941	1,958,941
Economic development	-	868,113	28,443	896,556
Committed:				
Economic development	-	-	728,994	728,994
School capital	-	-	543,229	543,229
Assigned:				
Subsequent year's expenditures	1,441,215	-	101,360	1,542,575
County capital	-	-	1,308,319	1,308,319
Unassigned:				
	25,101,604	(785,821)	(239)	24,315,544
<b>Total fund balances</b>	<b>46,831,356</b>	<b>82,292</b>	<b>8,652,291</b>	<b>55,565,939</b>
<b>Total liabilities and fund balances</b>	<b>\$ 52,650,983</b>	<b>\$ 868,113</b>	<b>\$ 9,891,828</b>	<b>\$ 63,410,924</b>

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

Total fund balances for governmental funds	\$ 55,565,939
Capital assets used in governmental activities are not current financial resources and, therefore are not reported in the funds	27,519,612
Liabilities for earned but deferred revenues in the fund statements	3,535,722
Accrued interest receivable deferred in the fund statements	781,857
Deferred charges for 2004 COPS, 2005 General Obligation, 2009 installment refunding Issuance cost and 2011 advance refunding bond issuances	659,235
Accrued interest payable on long-term debt is not a current financial obligation and, therefore, is not in the funds	(727,740)
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore are not reported in the funds	(69,228,948)
<b>Net assets of governmental activities</b>	<b>\$ 18,105,677</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, 2012

	Governmental Fund Types			
	Major Funds		Total	Total
	General	Occupancy Tax Fund	Non-Major Funds	Governmental Funds
<b>Revenues</b>				
Ad valorem taxes	\$ 45,233,960	\$ -	\$ 5,835,990	\$ 51,069,950
Other taxes and licenses	11,434,550	4,581,626	1,627,963	17,644,139
Permits and fees	2,590,236	-	-	2,590,236
Intergovernmental	13,912,533	-	1,113,818	15,026,351
Sales and services	2,840,076	-	-	2,840,076
Interest	461,823	10,863	66,460	539,146
Miscellaneous	188,502	-	22,616	211,118
<b>Total revenues</b>	<b>76,661,680</b>	<b>4,592,489</b>	<b>8,666,847</b>	<b>89,921,016</b>
<b>Expenditures</b>				
Current:				
General government	5,402,432	-	-	5,402,432
Public safety	9,648,533	-	7,215,079	16,863,612
Transportation	1,159,848	-	-	1,159,848
Environmental protection	4,014,786	-	-	4,014,786
Economic and physical development	3,792,444	2,715,486	354,368	6,862,298
Human services	15,598,191	-	-	15,598,191
Culture and recreation	2,774,024	-	-	2,774,024
Education	22,306,178	-	-	22,306,178
Capital outlay	-	-	3,689,741	3,689,741
Debt service:				
Principal retirement	6,615,517	-	-	6,615,517
Interest and fees	2,883,139	-	-	2,883,139
<b>Total expenditures</b>	<b>74,195,092</b>	<b>2,715,486</b>	<b>11,259,188</b>	<b>88,169,766</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>2,466,588</b>	<b>1,877,003</b>	<b>(2,592,341)</b>	<b>1,751,250</b>
<b>Other financing sources (uses)</b>				
Debt issuance	10,029,942	-	-	10,029,942
Advanced refunding	(10,012,059)	-	-	(10,012,059)
Sale of capital assets	1,406,960	-	124,554	1,531,514
Transfer in	1,866,140	-	2,352,236	4,218,376
Transfers out	(2,352,236)	(1,866,140)	(245,000)	(4,463,376)
<b>Total other financing sources (uses)</b>	<b>938,747</b>	<b>(1,866,140)</b>	<b>2,231,790</b>	<b>1,304,397</b>
<b>Net change in fund balance</b>	<b>3,405,335</b>	<b>10,863</b>	<b>(360,551)</b>	<b>3,055,647</b>
Fund balances				
Beginning	43,426,021	71,429	9,012,842	52,510,292
Ending	\$ 46,831,356	\$ 82,292	\$ 8,652,291	\$ 55,565,939

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, 2012**

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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>\$ 3,055,647</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 capital outlays exceeded depreciation in the current period.	<b>(1,129,434)</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>312,018</b>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	<b>372,511</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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items	<b>6,107,150</b>
<b>Total changes in net assets of governmental activities</b>	<b><u>\$ 8,717,892</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, 2012

	General Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
<b>Revenues</b>				
Ad valorem taxes	\$ 44,882,000	\$ 44,882,000	\$ 45,233,960	\$ 351,960
Other taxes and licenses	10,590,000	10,590,000	11,434,550	844,550
Permits and fees	2,399,339	2,457,829	2,590,236	132,407
Intergovernmental	11,384,874	14,121,493	13,912,533	(208,960)
Sales and services	2,757,918	2,926,890	2,840,076	(86,814)
Interest	350,000	350,000	461,823	111,823
Miscellaneous	209,259	200,604	188,502	(12,102)
<b>Total revenues</b>	<b>72,573,390</b>	<b>75,528,816</b>	<b>76,661,680</b>	<b>1,132,864</b>
<b>Expenditures</b>				
Current:				
General government	5,906,030	5,932,481	5,402,432	530,049
Public safety	9,200,125	10,142,534	9,648,533	494,001
Transportation	1,306,175	1,385,956	1,159,848	226,108
Environmental protection	3,278,130	4,188,080	4,014,786	173,294
Economic and physical development	2,421,305	4,145,753	3,792,444	353,309
Human services	15,919,320	16,636,986	15,598,191	1,038,795
Culture and recreation	2,806,940	2,833,805	2,774,024	59,781
Education	21,858,000	22,394,826	22,306,178	88,648
Debt service:				
Principal retirement	6,708,000	6,728,450	6,615,517	112,933
Interest and fees	2,988,550	2,953,155	2,883,139	70,016
<b>Total expenditures</b>	<b>72,392,575</b>	<b>77,342,026</b>	<b>74,195,092</b>	<b>3,146,934</b>
<b>Revenues over (under) expenditures</b>	<b>180,815</b>	<b>(1,813,210)</b>	<b>2,466,588</b>	<b>4,279,798</b>
<b>Other financing sources (uses)</b>				
Debt issuance	-	10,029,990	10,029,942	(48)
Advanced refunding	-	(10,029,990)	(10,012,059)	17,931
Sale of capital assets	-	25,000	1,406,960	1,381,960
Transfers in	1,837,860	1,837,860	1,866,140	28,280
Transfers out	(1,103,000)	(2,352,236)	(2,352,236)	-
Contingency reserves	(2,013,050)	(1,149,928)	-	1,149,928
Appropriated fund balance	1,097,375	3,452,514	-	(3,452,514)
<b>Total other financing sources (uses)</b>	<b>(180,815)</b>	<b>1,813,210</b>	<b>938,747</b>	<b>(874,463)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>3,405,335</b>	<b>\$ 3,405,335</b>
<b>Fund balances</b>				
Beginning			43,426,021	
Ending			<u>\$ 46,831,356</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, 2012

	Occupancy Tax Fund			Variance With Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Other taxes and licenses:				
Occupancy taxes	\$ 4,510,000	\$ 4,510,000	\$ 4,578,026	\$ 68,026
Occupancy taxes, penalties and interest	1,500	1,500	3,600	2,100
Interest	500	500	10,863	10,363
<b>Total revenues</b>	<b>4,512,000</b>	<b>4,512,000</b>	<b>4,592,489</b>	<b>80,489</b>
<b>Expenditures</b>				
Economic and physical development:				
Tourism:				
Tourism Development Authority	2,674,140	2,674,140	2,715,486	(41,346)
<b>Total expenditures</b>	<b>2,674,140</b>	<b>2,674,140</b>	<b>2,715,486</b>	<b>(41,346)</b>
<b>Revenues over expenditures</b>	<b>1,837,860</b>	<b>1,837,860</b>	<b>1,877,003</b>	<b>39,143</b>
<b>Other financing uses</b>				
Transfers out	(1,837,860)	(1,837,860)	(1,866,140)	(28,280)
<b>Total other financing uses</b>	<b>(1,837,860)</b>	<b>(1,837,860)</b>	<b>(1,866,140)</b>	<b>(28,280)</b>
<b>Revenues over expenditures and other uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>10,863</b>	<b>\$ 10,863</b>
<b>Fund balances</b>				
Beginning			71,429	
Ending			<b>\$ 82,292</b>	

See Notes to Financial Statements.



Carteret County, North Carolina

Statement of Fund Net Assets - Proprietary Fund  
June 30, 2012

	Water Fund
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 760,459
Receivables, net	50,816
Restricted cash and cash equivalents	1,048,045
<b>Total current assets</b>	<u>1,859,320</u>
Noncurrent assets	
Capital assets:	
Land, improvements, and construction in progress	3,109,118
Other capital assets, net of depreciation	5,654,341
<b>Total capital assets</b>	<u>8,763,459</u>
<b>Total noncurrent assets</b>	<u>8,763,459</u>
<b>Total assets</b>	<u>10,622,779</u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable and accrued expenses	448,177
Customer deposits	79,520
Accrued interest payable	10,331
Due to other funds	2,151,522
Current portion of long-term liabilities	1,221,856
<b>Total current liabilities</b>	<u>3,911,406</u>
Noncurrent liabilities	
Installment loan payable and long-term liabilities	2,146,491
<b>Total noncurrent liabilities</b>	<u>2,146,491</u>
<b>Total liabilities</b>	<u>6,057,897</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	5,416,107
Unrestricted	(851,225)
<b>Total net assets</b>	<u>\$ 4,564,882</u>

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds  
Year Ended June 30, 2012

	Water Fund
Operating revenues	
Charges for services	\$ 526,067
<b>Total operating revenues</b>	<u>526,067</u>
Operating expenses	
Water plant operations	443,362
Depreciation	305,020
<b>Total operating expenses</b>	<u>748,382</u>
<b>Operating loss</b>	<u>(222,315)</u>
<b>Nonoperating revenues (expenses)</b>	
Interest revenue	9,332
Interest expense	(66,916)
<b>Total nonoperating revenues (expenses)</b>	<u>(57,584)</u>
<b>Loss before contributions and transfers</b>	(279,899)
Capital contributions	3,618
Transfers in	245,000
<b>Change in net assets</b>	<u>(31,281)</u>
Total net assets	
Beginning	4,596,163
Ending	<u>\$ 4,564,882</u>

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Cash Flows - Proprietary Funds  
Year Ended June 30, 2012

	<u>Water Fund</u>
Cash flows from operating activities	
Cash received from customers	\$ 523,095
Cash paid for goods and services	(218,440)
Cash paid to employees for services	(219,083)
Customer deposits received	<u>13,271</u>
<b>Net cash provided by operating activities</b>	<b><u>98,843</u></b>
Cash flows from noncapital financing	
Transfers in	<u>245,000</u>
<b>Net cash provided by noncapital financing</b>	<b><u>245,000</u></b>
Cash flows from capital and related financing activities	
Principal paid on installment debt	(171,032)
Interest paid on installment debt	(67,717)
Short-term loans from other funds	1,106,749
Acquisition and construction of capital assets	(1,110,367)
Capital contributions grants	3,618
Bond anticipation notes issued	1,046,000
Repayment of bond anticipation note	<u>(1,046,000)</u>
<b>Net cash used by capital and related financing activities</b>	<b><u>(238,749)</u></b>
Cash flows provided by investing activities	
Interest on investments	<u>9,332</u>
<b>Net increase in cash and cash equivalents</b>	<b>114,426</b>
Cash and cash equivalents:	
Beginning	<u>1,694,078</u>
Ending	<b><u>\$ 1,808,504</u></b>

(Continued)

Carteret County, North Carolina

Statement of Cash Flows - Proprietary Funds (Continued)  
Year Ended June 30, 2012

	Water Fund
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (222,315)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	305,020
Changes in assets and liabilities:	
Increase in accounts receivable	(2,972)
Increase in accounts payable and accrued liabilities	2,562
Increase in customer deposits	13,271
Increase in accrued vacation pay	3,277
<b>Net cash provided by operating activities</b>	<b><u>\$ 98,843</u></b>

See Notes to Financial Statements.



**Carteret County, North Carolina**

**Statement of Fiduciary Assets and Liabilities - Fiduciary Funds  
June 30, 2012**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	<u>\$ 113,851</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	<u>\$ 113,851</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, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. The discretely presented component units presented below are reported in separate columns in the County's government-wide financial statements in order to emphasize that they are legally separate from the County.

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

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

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

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

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

- Beaufort-Morehead City Airport Authority, 180 Airport Road, Beaufort, NC 28516
- Carteret County Tourism Development Authority, 3409 Arendell Street, Morehead City, NC 28557
- Carteret County General Hospital Corporation, 3500 Arendell Street, Morehead City, NC 28557
- Carteret County ABC Board, 410 Live Oak Street, Beaufort, NC 28516

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

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

The following corporation is included as a blended component unit:

**County of Carteret Public Facilities Financing Corporation:** The County of Carteret Public Facilities Financing Corporation ("Corporation") is a nonprofit corporation. The Corporation was organized and shall be operated exclusively for the purpose of providing debt financing for the County, to fulfill various statutory obligations involving but not limited to, purchase and sale, construction and/or lease of real estate and improvements, facilities, and equipment. The Corporation has a three-member board of directors who are established through the bylaws of the Articles of Incorporation and will consist of the County Manager, Deputy Clerk to the Board, and Chair of the County Commissioners. The County has entered into Construction and Repayment Contracts with the Corporation. The Corporation's assets, fund balance, revenue and expenditures have been included in the County Capital Improvements Fund as of and for the year ended June 30, 2012.

**Summary of significant accounting policies**

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

**Basis of presentation, Measurement Focus – Basis of Accounting**

**Government-wide statements:** The statement of net assets and the statement of activities display information about the primary government (the "County") and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. 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 nonmajor funds, as applicable.

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

The County reports the following major governmental funds:

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

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

The County reports the following major enterprise fund:

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

The County reports the following fiduciary fund types:

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

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

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

**Measurement focus and basis of accounting**

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

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

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

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

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

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

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Carteret County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes, which were billed during this period, are shown as a receivable on these financial statements.

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 assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental and business-type activities and enterprise funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

**Budgets and budgetary accounting:** The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted on the modified accrual basis for the general fund, the special revenue funds (excluding 2006 CDBG SSH Program, 2009 CDBG 09-C-2063 Program), the capital projects funds (excluding the Morehead Elementary School Fund, 2006 School Project Fund, and the Water Construction 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 and Fund Equity**

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

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

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

**Cash and cash equivalents:** The County pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. 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 investments because their use is limited by applicable debt instruments. Additional restricted cash includes rescue and fire districts' cash balance reserves that are completely restricted for rescue and fire district use in the future, compensating cash balance, which offsets fees associated with the County's tax collection lockbox account, as well as other miscellaneous restricted accounts.



Notes to Financial Statements

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

The property tax calendar for Carteret County, North Carolina according to North Carolina general statutes 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, 2011 assessed values.

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

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

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

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

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

Notes to Financial Statements

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

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

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

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

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

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

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

**Amortization of debt issuance costs:** Debt issuance costs incurred are deferred and amortized over the life of the related debt issue using the straight-line method.

In the fund financial statements, governmental fund types recognize bond issuance costs during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

Notes to Financial Statements

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

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

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

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

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

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

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

**Net assets/fund balances:**

**Net assets:** Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either 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, 2012:

- 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, 2012. This is done due to the great reliance of this restricted amount by the Board of Commissioners and the Beach Commission.

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

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

**Committed Fund Balance** – portion of fund balance that can only be used for specific purpose imposed by majority vote of Carteret County's Board of Commissioners (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the Board of Commissioners. The following are the County's committed fund balances as of June 30, 2012:

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

**Assigned Fund Balance** - portion of fund balance that the Carteret County governing board has budgeted. The following are the County's assigned fund balances as of June 30, 2012:

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

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

Notes to Financial Statements

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

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

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

**Reconciliation of Government-wide and Fund Financial Statements**

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of (\$37,460,262) consists of several elements as follows:

<b>Description</b>	<b>Amount</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	<b>\$ 58,186,754</b>
Less accumulated depreciation	<b>30,667,142</b>
<b>Net capital assets</b>	<b>27,519,612</b>
Accrued interest receivable	<b>781,857</b>
Deferred charges for COPS Issuance costs and General Obligation Issuance costs	<b>659,235</b>
Liabilities for revenue deferred but earned therefore recorded in the fund statements but not in the government-wide statements	<b>3,535,722</b>
Accrued interest is not due and payable in the current period and therefore is not reported in the funds	<b>(727,740)</b>
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	<b>(65,859,052)</b>
Premiums on refundings	<b>(1,287,398)</b>
Discount on refundings	<b>1,252,178</b>
Compensated absences	<b>(1,172,378)</b>
Accrued postemployment and retirement obligations	<b>(2,162,298)</b>
<b>Long-term liabilities</b>	<b>(69,228,948)</b>
<b>Total adjustment</b>	<b>\$ (37,460,262)</b>

**Carteret County, North Carolina**

**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 assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$5,662,245 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	\$ 1,186,271
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	(2,315,705)
Donations of capital assets received	1,795,272
Cost of capital assets sold	(1,412,004)
Cost of capital assets donated	(71,250)
Bonds Issued	(9,460,000)
Premium received on Bonds issued	(569,942)
Payments to escrow agent on refunded debt	9,670,775
Issuance expense on bonds issued	341,284
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements. Amounts also include bond issuance costs and unamortized charges	6,615,518
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(75,489)
Long-term net pension and OPEB obligations are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(430,112)
Decrease in interest payable on long-term debt at June 30, 2012	88,209
Amortization expense	(73,093)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Reversal of deferred tax revenue recorded at July 1, 2011	(3,258,494)
Recording of tax receipts deferred in the fund statements as of June 30, 2012	3,535,722
Increase in accrued interest on taxes receivable for year ended June 30, 2012	95,283
<b>Total adjustment</b>	<b>\$ 5,662,245</b>

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

The CDBG 2006 SSH special revenue fund had a deficit fund balance of (\$239) as of June 30, 2012. The fund incurred project to date expenditures in excess of total revenues received. This fund will receive additional transfers from the General Fund to cover project expenditures.

## Carteret County, North Carolina

### Notes to Financial Statements

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#### **Note 2. Stewardship, Compliance, and Accountability (Continued)**

##### Excess of Expenditures over Appropriations

During the fiscal year ended June 30, 2012, the County reported expenditures within the Occupancy Tax Fund that exceeded the amounts appropriated in the budget ordinance as follows:

Tourism Development Authority expenditures and transfers to the general fund	\$69,626
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Management will monitor budgets regularly and make necessary amendments to avoid expenditures in excess of appropriations.

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

##### **Cash on hand:**

The County had \$1,720 in petty cash on hand at June 30, 2012.

##### **Component unit information:**

Carteret County General Hospital had \$10,758 in cash on hand at September 30, 2011.

##### **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 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, 2012, the County's deposits, excluding petty cash and agency fund deposits had a carrying amount of \$13,619,186 and a bank balance of \$15,092,229. Of the bank balance, \$1,485,038 was covered by federal depository insurance and \$13,607,191 was covered by collateral held under the Pooling Method. Restricted cash, excluding agency funds, in the amount of \$6,980,323 is as follows: held in noninterest-bearing deposits for banking services in the amount of \$694,761, \$3,091,925 for capital projects, and the remaining \$3,193,637 is restricted for fire and rescue special taxing districts.

At June 30, 2012, the County's agency fund deposits had a carrying amount of \$113,851 and a bank balance of \$135,462. All of the bank balance was covered by federal depository insurance.

## Carteret County, North Carolina

### Notes to Financial Statements

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

##### Component unit information:

At June 30, 2012, the carrying amount of deposits for Tourism and Development Authority with financial institutions was \$116,004 and the bank balance was \$182,740. All of the bank balance was covered by federal depository insurance.

At June 30, 2012, the carrying amount of deposits and petty cash for Beaufort-Morehead City Airport Authority was \$90,578 and the bank balance was \$93,510. Of the bank balance, \$93,510 was covered by federal depository insurance.

At September 30, 2011, the carrying amount of the Hospital's deposits and cash on hand was \$71,353,468 and the bank balance was \$72,410,028. Of the bank balance, \$1,500,000 was covered by federal depository insurance and the remainder is collateralized by the pooling method.

At June 30, 2012, the carrying amount of deposits for Carteret County ABC Board was \$1,314,197 and the bank balance was \$1,240,952. All of the bank balance was covered by federal depository insurance.

##### Investments:

At June 30, 2012, the County had the following investments and maturities.

Investment Type	Fair Value	Less Than			
		1 Year	1-5 Years	6-10 Years	11-15 Years
Commercial Paper	\$ 4,998,198	\$ 4,998,198	\$ -	\$ -	\$ -
US Government Agencies	9,739,415	599,880	7,061,142	1,001,857	1,076,536
NC Capital Management Trust Cash Portfolio	23,937,345	23,937,345	N/A	N/A	N/A
NC Capital Management Trust Term Portfolio	395,785	395,785	-	-	-
<b>Total</b>	<b>\$ 39,070,743</b>	<b>\$ 29,931,208</b>	<b>\$ 7,061,142</b>	<b>\$ 1,001,857</b>	<b>\$ 1,076,536</b>

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

**Credit risk.** The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the County had no formal policy on managing credit risk. As of June 30, 2012, 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 and Federal Farm Credit Bank) are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service.



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

**Concentration of credit risk.** The County places no limit on the amount that the County may invest in any one issuer. More than 5 percent of the County's investments are in each of the following: commercial paper \$4,998,198 (12.79%), Federal National Mortgage Association \$6,132,000 (15.69%), and Freddie Mac \$2,005,678 (5.13%). The County's investments in commercial paper consist of the following issuers: Abbey National, UBS Finance and Kookmin Bank. 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, 2012, the County had restricted investments in the governmental activities of \$696,236. In the Capital Projects Funds there are restricted investments of \$265 for the construction of Beaufort Elementary School, \$96,091 for the expansions and renovations to our public schools as outlined in the 2006 School GO Bond and \$599,880 for Qualified Zone Academy Bond debt service.

**Component unit information**

At June 30, 2012, the TDA had \$59,304 invested in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAm by Standard and Poor's. The Authority has no policy regarding credit risk. This amount is included in cash and cash equivalents on the statement of net assets.

**Carteret County, North Carolina**

**Notes to Financial Statements**

**Note 4. Receivables**

Receivables at the government-wide level are comprised of the following major categories as of June 30, 2012:

	<b>Governmental Activities</b>	<b>Business-Type Activity, Water</b>	<b>Total</b>
Receivables:			
Interest	\$ 781,857	\$ -	\$ 781,857
Taxes	3,610,919	-	3,610,919
Accounts	476,824	48,328	525,152
Intergovernmental	5,195,735	2,488	5,198,223
Other	868,113	-	868,113
<b>Gross receivables</b>	<b>10,933,448</b>	<b>50,816</b>	<b>10,984,264</b>
Less allowance for uncollectibles	(426,340)	-	(426,340)
<b>Net total receivables</b>	<b>\$ 10,507,108</b>	<b>\$ 50,816</b>	<b>\$ 10,557,924</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
2009	\$ 202,448	\$ 48,081	\$ 250,529
2010	224,075	33,051	257,126
2011	226,147	13,004	239,151
2012	218,601	-	218,601
<b>Total</b>	<b>\$ 871,271</b>	<b>\$ 94,136</b>	<b>\$ 965,407</b>

**Component unit information**

The Carteret County General Hospital Corporation receivables of \$18,389,503 are net of an allowance for doubtful accounts of \$12,383,000. Approximately 60% of the Hospital's revenue is from the Medicare and Medicaid programs.

**Carteret County, North Carolina**

**Notes to Financial Statements**

**Note 5. Capital Assets**

The following is a summary of changes in the County's capital assets during the fiscal year ended June 30, 2012:

	Capital Assets July 1, 2011	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2012
Governmental activities:					
Capital assets, not being depreciated:					
Land, airport	\$ 169,549	\$ 1,404,021	\$ (1,404,021)	\$ -	\$ 169,549
Land, other	5,107,647	305,165	-	-	5,412,812
Construction in progress	18,934	34,380	(18,934)	-	34,380
<b>Total capital assets not being depreciated</b>	<b>5,296,130</b>	<b>1,743,566</b>	<b>(1,422,955)</b>	<b>-</b>	<b>5,616,741</b>
Capital assets, being depreciated:					
Buildings	27,349,801	136,100	-	-	27,485,901
Vehicles	4,687,794	182,224	(44,096)	-	4,825,922
Equipment	6,003,322	704,352	(92,791)	-	6,614,883
Airport facilities	1,524,747	-	-	-	1,524,747
Other improvements	9,293,897	234,235	-	-	9,528,132
Leasehold improvements	2,590,428	-	-	-	2,590,428
<b>Total capital assets being depreciated</b>	<b>51,449,989</b>	<b>1,256,911</b>	<b>(136,887)</b>	<b>-</b>	<b>52,570,013</b>
Less accumulated depreciation for:					
Buildings	14,917,272	826,876	-	-	15,744,148
Vehicles	3,749,355	381,114	(36,113)	-	4,094,356
Equipment	4,612,737	472,912	(21,541)	-	5,064,108
Airport facilities	1,483,445	20,841	-	-	1,504,286
Other improvements	3,525,958	484,441	-	-	4,010,399
Leasehold improvements	120,324	129,521	-	-	249,845
<b>Total accumulated depreciation</b>	<b>28,409,091</b>	<b>\$ 2,315,705</b>	<b>\$ (57,654)</b>	<b>\$ -</b>	<b>30,667,142</b>
<b>Total capital assets, being depreciated, net</b>	<b>23,040,898</b>				<b>21,902,871</b>
<b>Governmental activity capital assets, net</b>	<b>\$ 28,337,028</b>				<b>\$ 27,519,612</b>

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

Governmental activities:	
General government	\$ 324,031
Public Safety	865,047
Transportation	127,675
Economic & Physical Development	30,136
Human Services	336,135
Culture & Recreation	584,215
Environmental Protection	48,466
<b>Total depreciation expense - governmental activities</b>	<b>\$ 2,315,705</b>

Carteret County, North Carolina

Notes to Financial Statements

Note 5. Capital Assets (Continued)

	Capital Assets July 1, 2011	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2012
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 70,298	\$ -	\$ -	\$ -	\$ 70,298
Construction in progress	1,568,529	1,470,291	-	-	3,038,820
<b>Total capital assets, not being depreciated</b>	<b>1,638,827</b>	<b>1,470,291</b>	<b>-</b>	<b>-</b>	<b>3,109,118</b>
Capital assets, being depreciated:					
Buildings	2,119,264	-	-	-	2,119,264
Infrastructure	6,409,573	-	-	-	6,409,573
Vehicles	27,792	-	-	-	27,792
Equipment	109,041	-	-	-	109,041
<b>Total capital assets, being depreciated</b>	<b>8,665,670</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,665,670</b>
Less accumulated depreciation for:					
Buildings	541,589	70,642	-	-	612,231
Infrastructure	2,070,159	224,069	-	-	2,294,228
Vehicles	25,635	2,156	-	-	27,791
Equipment	68,926	8,153	-	-	77,079
<b>Total accumulated depreciation</b>	<b>2,706,309</b>	<b>\$ 305,020</b>	<b>\$ -</b>	<b>\$ -</b>	<b>3,011,329</b>
<b>Total capital assets, being depreciated, net</b>	<b>5,959,361</b>				<b>5,654,341</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 7,598,188</b>				<b>\$ 8,763,459</b>

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

Discretely presented component unit information

The following is a summary of the Carteret County General Hospital Corporation's capital assets at September 30, 2011:

**Carteret County, North Carolina**

**Notes to Financial Statements**

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

	Balance September 30, 2010	Additions	Retirements	Adjustment and Transfers	Balance September 30, 2011
Capital assets:					
Capital assets, not being depreciated:					
Construction in progress	\$ 253,965	\$ 1,397,889	\$ (1,363,021)	\$ -	\$ 288,833
Land	3,497,581	205,272	-	-	3,702,853
<b>Total capital assets, not being depreciated</b>	<b>3,751,546</b>	<b>1,603,161</b>	<b>(1,363,021)</b>	<b>-</b>	<b>3,991,686</b>
Capital assets, being depreciated:					
Land improvements	1,110,988	-	(35,111)	-	1,075,877
Buildings and improvements	28,563,163	2,071,185	-	118,035	30,752,383
Equipment	54,902,815	4,148,801	-	134,797	59,186,413
<b>Total capital assets, being depreciated</b>	<b>84,576,966</b>	<b>6,219,986</b>	<b>(35,111)</b>	<b>252,832</b>	<b>91,014,673</b>
Less accumulated depreciation:					
Land improvements	805,455	36,400	-	(34,989)	806,866
Buildings and improvements	11,709,970	1,068,487	-	(19,845)	12,758,612
Equipment	33,170,025	5,167,584	-	(1,084,042)	37,253,567
<b>Total accumulated depreciation</b>	<b>45,685,450</b>	<b>\$ 6,272,471</b>	<b>\$ -</b>	<b>\$ (1,138,876)</b>	<b>50,819,045</b>
<b>Total capital assets, being depreciated, net</b>	<b>38,891,516</b>				<b>40,195,628</b>
<b>Capital assets, net</b>	<b>\$ 42,643,062</b>				<b>\$ 44,187,314</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, 2012:

Land	<b>\$ 1,080,717</b>
Buildings	<b>3,213,134</b>
Furniture and equipment	<b>1,276,559</b>
Leasehold improvements	<b>144,927</b>
Building improvements	<b>112,352</b>
	<b>5,827,689</b>
Less accumulated depreciation	<b>2,010,363</b>
	<b>\$ 3,817,326</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 Beaufort – Morehead City Airport Authority’s capital assets at June 30, 2012:

Construction in progress	\$ 745,469
Land	1,345,133
Aviation easement	577,000
Equipment	77,010
Vehicle	24,066
Hangers	444,989
Land/runway improvements	2,331,651
	<u>5,545,318</u>
Less accumulated depreciation	528,662
	<u><u>\$ 5,016,656</u></u>

The following is a summary of the Carteret County Tourism and Development Authority’s capital assets at June 30, 2012:

Buildings	\$ 67,069
Other improvements	56,757
Equipment	109,778
Vehicles	19,723
	<u>253,327</u>
Less accumulated depreciation	122,281
	<u><u>\$ 131,046</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, 2012, were as follows:

	Vendors	Salaries and Benefits	Total
Governmental activities:			
General	\$ 1,790,256	\$ 967,620	\$ 2,757,876
Occupancy Tax	519,937	-	519,937
Other governmental	673,865	-	673,865
<b>Total governmental activities (1)</b>	<b>\$ 2,984,058</b>	<b>\$ 967,620</b>	<b>\$ 3,951,678</b>
Business-type activities:			
Water	\$ 434,016	\$ 14,161	\$ 448,177
<b>Total business - type activities</b>	<b>\$ 434,016</b>	<b>\$ 14,161</b>	<b>\$ 448,177</b>

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

**Note 7. Deferred/Unearned Revenues**

The balance in deferred revenue on the fund statements and unearned revenues on the fund financial statements and government-wide statements at year-end are composed of the following elements:

	Deferred Revenue	Unearned Revenue
Prepaid taxes not yet earned (General)	\$ -	\$ 57,389
Taxes receivable, net (General)	2,653,219	-
Taxes receivable, net (Special Revenue)	531,360	-
Solid waste fees receivable (General)	351,143	-
<b>Total</b>	<b>\$ 3,535,722</b>	<b>\$ 57,389</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 carries commercial insurance for liability, casualty risks, property and workers' compensation coverage. There have been no significant reductions in insurance coverage from the previous fiscal year and settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The County does not carry flood insurance as they are above the AE zone.

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 blanket bond ranging from \$10,000 to \$50,000.

**Component Unit Information:**

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

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

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

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

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

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

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



**Carteret County, North Carolina**

**Notes to Financial Statements**

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**Note 9. Long-Term Obligations**

**General obligation bonds**

The County issues general obligation bonds to provide funds for the acquisition and construction of capital facilities for general government activities and for the construction of Board of Education and Community College properties, which are not recorded as capital assets by the County as disclosed in Note 1. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the County and are serviced by the General Fund. Principal and interest requirements are provided by appropriation in the year in which they become due. The County's general obligation bonds payable at June 30, 2012, 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>\$ 7,420,000</b>
\$22,000,000 - 2006 School bond, due on October 1 and April 1 in varying installments through April 1, 2026; interest at varying rates ranging from 4% to 5%	<b>18,100,000</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>14,800,000</b>
\$7,600,000 - 2002 Carteret Community College additions due on August 1 and February 1 in varying installments through February 1, 2020; interest at varying rates ranging from 3% to 4.75%	<b>4,780,000</b>
	<b><u>\$ 45,100,000</u></b>

Annual debt service requirements to maturity for general obligation bonds as of June 30, 2012, are as follows:

Year Ending June 30,	Principal	Interest
2013	\$ 3,795,000	\$ 1,882,886
2014	4,060,000	1,743,186
2015	4,020,000	1,578,698
2016	4,090,000	1,410,498
2017	4,055,000	1,246,598
2018 – 2022	14,480,000	3,990,388
2023 – 2027	10,600,000	1,171,788
	<b><u>\$ 45,100,000</u></b>	<b><u>\$ 13,024,042</u></b>

**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, 2012, 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>\$ 4,660,000</u></b>
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**Carteret County, North Carolina**

**Notes to Financial Statements**

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

Annual debt service requirements to maturity for certificates of participation as of June 30, 2012, are as follows:

Year Ending June 30,	Principal	Interest
2013	\$ 620,000	\$ 132,550
2014	480,000	120,150
2015	470,000	110,550
2016	460,000	101,150
2017	455,000	91,950
2018-2022	2,175,000	233,300
	<u>\$ 4,660,000</u>	<u>\$ 789,650</u>

The County has entered into various installment-financing agreements for equipment and capital improvements. The County's installment-financing agreements at June 30, 2012, 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	<b>\$ 2,000,000</b>
\$1,700,000 - Construction and renovations to Carteret Community College buildings for 7 consecutive annual installments, beginning in fiscal year 2007-2008, including interest at 4.260%	<b>349,352</b>
\$1,781,354 - Renovations of Newport Elementary School for 15 consecutive annual debt service fund installments beginning fiscal year 2009-2010	<b>1,436,354</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	<b>7,105,000</b>
\$4,000,000 QZAB - Renovations of East Carteret High School for 13 consecutive annual installments, beginning in fiscal year 2011-2012, including interest at 5.22%	<b>3,692,308</b>
\$1,653,860 QSCB - Renovations of schools for 12 consecutive annual installments, beginning in fiscal year 2011-2012, including interest at 4.81%	<b>1,516,038</b>
	<u><b>16,099,052</b></u>

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

\$589,608 - Construction of water treatment and distribution facilities for 19 consecutive installments, beginning in fiscal year 2004-2005, including interest at 5.75% annual funds provided by State Revolving Fund	<b>341,352</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	<b>1,960,000</b>
	<u><b>2,301,352</b></u>
	<u><b>\$ 18,400,404</b></u>

**Carteret County, North Carolina**

**Notes to Financial Statements**

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

Annual debt service requirements to maturity for installment financing at June 30, 2012, are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 1,759,180	\$ 535,611	\$ 171,032	\$ 62,846	\$ 1,930,212	\$ 598,457
2014	1,601,200	468,223	171,032	57,974	1,772,232	526,197
2015	1,490,514	407,497	171,032	53,103	1,661,546	460,600
2016	1,480,514	351,420	171,032	48,232	1,651,546	399,652
2017	1,465,514	295,880	171,032	43,360	1,636,546	339,240
2018 – 2022	7,302,570	705,187	855,160	143,732	8,157,730	848,919
2023 – 2027	999,560	54,812	591,032	32,654	1,590,592	87,466
	<u>\$ 16,099,052</u>	<u>\$ 2,818,630</u>	<u>\$ 2,301,352</u>	<u>\$ 441,901</u>	<u>\$ 18,400,404</u>	<u>\$ 3,260,531</u>

**Bond Anticipation Note**

\$1,046,000 water notes issued on June 29, 2012; interest at 65.1% of 30-day BOA LIBOR, plus 99.831 bps, calculated monthly on the basis of a 360-day year. The notes will be repaid from a \$1,046,000 bond issue expected to be sold in the next fiscal year

**\$ 1,046,000**

**Advance Refundings**

On July 19, 2011, the County issued \$4,780,000 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 \$4,800,000 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 assets. The reacquisition price exceeded the net carrying amount of the old debt by \$164,800. 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 \$420,603 and resulted in an economic gain of \$396,597.

On October 6, 2011, the County issued \$4,680,000 of certificates of participation 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 \$4,575,000 of certificates of participation 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 assets. The reacquisition price exceeded the net carrying amount of the old debt by \$130,975. 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 11 years by \$345,451 and resulted in an economic gain of \$314,305.

Debt Related to Capital Activities – Of the total Governmental Activities debt listed only \$1,050,000 relates to assets 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, 2012:

	Beginning Balance June 30, 2011	Additions	Retirements	Ending Balance June 30, 2012	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 48,745,000	\$ 4,780,000	\$ 8,425,000	\$ 45,100,000	\$ 3,795,000
Certificates of participation	5,155,000	4,680,000	5,175,000	4,660,000	620,000
Less deferred amounts:					
Advance refunding charge	(605,497)	(209,142)	(148,407)	(666,232)	-
Issuance discounts	(364,116)	(295,775)	(73,945)	(585,946)	-
Issuance premium and premium on refunding	892,481	569,942	175,025	1,287,398	-
<b>Total bonds payable</b>	<b>53,822,868</b>	<b>9,525,025</b>	<b>13,552,673</b>	<b>49,795,220</b>	<b>4,415,000</b>
Installment purchase obligations	18,489,570	-	2,390,518	16,099,052	1,759,180
Compensated absences	1,096,889	1,086,277	1,010,788	1,172,378	838,442
Separation allowance pension obligations	246,431	60,966	27,984	279,413	-
Net OPEB obligation	1,485,755	625,102	227,972	1,882,885	-
<b>Governmental activity long-term liabilities</b>	<b>\$ 75,141,513</b>	<b>\$ 11,297,370</b>	<b>\$ 17,209,935</b>	<b>\$ 69,228,948</b>	<b>\$ 7,012,622</b>
Business-type activities:					
Bond Anticipation Note	\$ 1,046,000	\$ 1,046,000	\$ 1,046,000	\$ 1,046,000	\$ 1,046,000
Installment purchase obligations	2,472,384	-	171,032	2,301,352	171,032
Compensated absences	17,718	17,159	13,882	20,995	4,824
<b>Business-type activity long-term liabilities</b>	<b>\$ 3,536,102</b>	<b>\$ 1,063,159</b>	<b>\$ 1,230,914</b>	<b>\$ 3,368,347</b>	<b>\$ 1,221,856</b>

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

**Carteret County, North Carolina**

**Notes to Financial Statements**

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

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

At June 30, 2012, Carteret County had bonds authorized but unissued of \$9,710,000 and a legal debt margin of \$1,130,199,536.

**Component unit information:**

The Hospital has several capital lease obligations for certain medical equipment at September 30, 2011. The leases expire at various dates through 2015 and have a present value of minimum lease payments of \$1,049,433.

Minimum annual lease payments for years subsequent to September 30, 2011, are as follows:

Year Ending September 30,	Capital Leases
2012	\$ 557,567
2013	287,703
2014	124,920
2015	133,764
<b>Total minimum lease payments</b>	<b>1,103,954</b>
Less amount representing interest 3.00% - 7.61%	54,521
<b>Present value of net minimum lease obligations</b>	<b>1,049,433</b>
Less current maturities	526,947
<b>Obligations under capital leases, less current maturities</b>	<b>\$ 522,486</b>

Assets under capital leases had a cost basis of \$3,786,000 and accumulated depreciation on these assets of \$2,674,000 at September 30, 2011.

Long-term obligations for the ABC Board as of June 30, 2012, are as follows:

Installment loan payable in the original loan amount of \$995,000 payable in monthly payments including interest at 2.99%. Balance shall be due April 15, 2016. Secured by real estate.	<b>\$ 241,148</b>
Installment loan payable in the loan amount of \$995,000 with interest payable at 3.25% monthly. Balance due January 19, 2013. Secured by real estate.	<b>744,895</b>
Installment loan payable in the loan amount of \$389,000 payable in monthly installments including interest at 3.25%, due January 19, 2012. Secured by real estate.	<b>304,004</b>
Installment loan payable in the loan amount of \$748,000 with interest payable at 3.25% monthly. Balance due January 19, 2014. Secured by real estate.	<b>540,817</b>
Installment loan payable in the loan amount of \$49,993 payable in monthly installments with 0% interest. Balance due March 2013. Secured by real estate.	<b>24,996</b>
	<b>1,855,860</b>
Less current maturities	<b>1,138,941</b>
<b>Long-term debt</b>	<b>\$ 716,919</b>

**Carteret County, North Carolina**

**Notes to Financial Statements**

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

Aggregate maturities of the ABC Board's long-term debt at June 30, 2012, are as follows:

Year Ending June 30,	Amount
2013	\$ 1,138,941
2014	526,362
2015	26,451
2016	164,106
	<u>\$ 1,855,860</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, 2012. 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, 2012, amounted to approximately \$50,302 and the current portion of the accumulated vacation pay is not considered to be material.

The Airport has an installment purchase contract with Carteret County to finance the purchase of a hangar. The contract requires monthly payments of \$1,220 including interest at 5% per annum. During the year ended June 30, 2005, the Authority borrowed an additional \$157,540 to pay for a runway resealing project. This additional loan amount and the existing loan were consolidated into one new loan. The new loan requires monthly payments of \$2,078 including interest at 3.98% per annum, beginning in November 2004 and is collateralized by an assignment of rents by the Airport to the County.

On February 16, 2009, the Airport entered into an installment purchase contract with Carteret County for \$200,000 to construct airplane hangars. The financing contract required monthly principal payments of \$1,477 including interest at 3.98% per annum, beginning October 1, 2009.

The future minimum debt service payments of the Airport Authority for the installment purchase contracts as of June 30, 2012, including \$48,220 of interest, are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2013	\$ 34,248	\$ 8,420
2014	35,636	7,032
2015	20,260	5,782
2016	12,502	5,226
2017	13,009	4,719
2018 – 2022	73,395	15,247
2023 – 2025	38,088	1,794
	<u>\$ 227,138</u>	<u>\$ 48,220</u>

The TDA had accrued compensated absences as a long-term debt at June 30, 2012, in the amount of \$18,012.

**Note 10. Retirement Systems**

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

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

**Funding policy:** Plan members are required to contribute six percent of their annual covered salary. The County and the ABC Board are required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.98% and 7.05%, respectively, of annual covered payroll. The ABC Board's current rate for employees not engaged in law enforcement and for law enforcement officers is 6.88% and 6.90%, respectively, of annual covered payroll. The contribution requirements of members and of Carteret County and the ABC Board are established and may be amended by the North Carolina General Assembly. The County's contribution to LGERS for the years ended June 30, 2012, 2011 and 2010 were \$1,023,722, \$922,101 and \$703,706, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$41,067, \$41,121 and \$34,978, respectively. The contributions made by the County and the ABC Board equaled the required contributions for each year.

**Law Enforcement Officers' Special Separation Allowance**

1. Plan Description

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

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2011, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Active plan members	48
<b>Total</b>	<b>50</b>

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

2. Summary of Significant Accounting Policies

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

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

**Carteret County, North Carolina**

**Notes to Financial Statements**

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

3. Contributions

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

The annual required contribution for the current year was determined as part of the December 31, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include postretirement benefit increases. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2011, was 19 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	\$ 63,345
Interest on net pension obligation	12,322
Adjustment to annual required contribution	<u>(14,701)</u>
<b>Annual pension cost</b>	<b>60,966</b>
Employer contributions made for fiscal year ended June 30, 2012	<u>27,984</u>
<b>Increase in net pension obligation</b>	<b>32,982</b>
Net pension obligation, beginning of fiscal year	<u>246,431</u>
Net pension obligation, end of fiscal year	<u><u>\$ 279,413</u></u>

3 Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
6/30/2010	\$ 42,304	85.16%	\$ 222,117
6/30/2011	60,339	59.70%	246,431
6/30/2012	<b>60,966</b>	<b>45.90%</b>	<b>279,413</b>

4. Funded Status and Funding Progress.

As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability ("UAAL") was \$494,987. The covered payroll (annual payroll of active employees covered by the plan) was \$1,844,803, and the ratio of the UAAL to the covered payroll was 26.83 percent.

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



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

**Supplemental Retirement Income Plan for Law Enforcement Officers**

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

**Funding policy:** Article 12E of G.S. Chapter 143 requires the County and ABC Board to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions from the County for the year ended June 30, 2012 were \$144,107, which consisted of \$90,113 from the County and \$53,994 from law enforcement officers. Contributions from the ABC Board for June 30, 2012 consisted of \$2,994 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, 2012, were \$956,702, which consisted of \$647,722 from the County and \$308,980 from the employees.

**Registers of Deeds' Supplemental Pension Fund**

**Plan description:** Carteret County also contributes to the Registers of Deeds' Supplemental Pension Fund ("Fund"), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any eligible county register of deeds who is retired under the LGERS or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Registers of Deeds' Supplemental Pension Fund is included in the CAFR for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

**Funding policy:** On a monthly basis, the County remits to the Department of State Treasurer an amount equal to 1.5% of the monthly receipts collected pursuant to Article 1 of G.S. Chapter 161. Immediately following January 1 of each year, the Department of State Treasurer divides 93% of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining 7% of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2012, the County's required and actual contributions were \$9,484.

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

**Carteret County General Hospital Corporation Pension Plan**

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

Effective October 1, 2009, the Hospital contributed an amount equal to 4% of eligible employee's base salary. Contributions for year ended September 30, 2011, were approximately \$1,369,000. 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, 2011, were approximately \$601,000.

**Carteret County Tourism Development Authority Retirement Plan**

The TDA adopted a simplified employee pension - Individual Retirement Account for each of its full-time employees who have completed one year of employment. The TDA's contribution is four percent of salary for qualifying employees. The TDA's contribution amount for the fiscal year ended June 30, 2012, was \$7,493.

**Carteret County ABC Board 401(k) Plan**

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

The ABC Board has elected to make matching contributions to the 401 (k) plan on behalf of participating employees up to 5% of their eligible wages. The Board made matching contributions to the plan for years ended June 30, 2012 and 2011 totaling \$23,385 and \$29,718, respectively.

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 twenty years, and retire with at least ten years of creditable service with the County. Prior to August 5, 2002, employees qualified for similar level benefits after at least five years of creditable service with the County. The County pays the full cost of coverage for these benefits through private insurers. Also, the County's retirees can purchase coverage for themselves and their spouses at the County's group rates. The County Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

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

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

**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 \$538 per month for dependent coverage. The County has chosen to fund the healthcare benefits on a pay-as-you-go basis, from the general fund.

The current annual required contribution ("ARC") rate is 4.21% of annual covered payroll. For the current year, the County contributed \$227,972 or 1.54% of annual covered payroll. The County obtains healthcare coverage through private insurers. There were no contributions made by employees or retirees, except for dependent and spouse coverage in the amount of \$178,950. The County's obligation to contribute to HCB Plan is established and may be amended by the County Commissioners.

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

Notes to Financial Statements

**Note 11. Other Post-Employment Benefits (Continued)**

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

Annual required contribution	\$ 622,446
Interest on net OPEB obligation	59,430
Adjustment to annual required contribution	<u>(56,774)</u>
<b>Annual OPEB cost</b>	<b>625,102</b>
Contributions made	<u>(227,972)</u>
<b>Increase in net OPEB obligation</b>	<b>397,130</b>
Net OPEB obligation, beginning of year	<u>1,485,755</u>
Net OPEB obligation, end of year	<u><u>\$ 1,882,885</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, 2012, were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 640,488	26.60%	\$ 1,003,076
2011	647,174	25.40%	1,485,755
2012	<b>625,102</b>	<b>36.50%</b>	<b>1,882,885</b>

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

**Note 11. Other Post-Employment Benefits (Continued)**

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

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

**Note 12. Other Employment Benefits**

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

Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the year ended June 30, 2012, the County made contributions to the State for death benefits of \$15,370 and the ABC Board made contributions of \$732. The County's and the ABC Board's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .12% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount.

## 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>\$ 39,938,686</b>	<b>\$ 23,223,846</b>
TANF	<b>313,111</b>	<b>(138)</b>
WIC	<b>965,381</b>	<b>-</b>
Low Income Home Energy	<b>96,000</b>	<b>-</b>
Special Assistance	<b>-</b>	<b>419,207</b>
	<b>\$ 41,313,178</b>	<b>\$ 23,642,915</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, 2012. 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, 2012. Complete financial statements for the Waste Management Authority can be obtained from the Waste Management Authority's administrative offices at 7400 Old Highway 70 West, Cove City, North Carolina 28523.

The County, in conjunction with the State of North Carolina and the Carteret County Board of Education, participates in a joint venture to operate Carteret Community College. The County appoints four members of the twelve-member board of trustees of the community college. The community college is included as a component unit of the State of North Carolina. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. In addition to providing annual appropriations for the facilities, the County periodically issues general obligation bonds and bank installment loans to provide financing for new and restructured facilities. Of the last general obligation bond issue and bank installment loan for this purpose, \$4,780,000 and \$349,352 in debt is still outstanding, respectively. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's facilities. The County contributed \$2,204,634 to the Community College during the fiscal year ended June 30, 2012. 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, 2012. Complete financial statements for the Community College may be obtained from the Community College's administrative offices at 3505 Arendell Street, Morehead City, North Carolina 28557.

**Note 15. Jointly Governed Organizations**

**Regional Library**

The County, in conjunction with two other counties, governs the operations of the Craven-Pamlico-Carteret Regional Library. Each participating government appoints three board members to the nine-member board. The County has no ongoing financial responsibility for the joint venture because the library's continued existence depends on the State of North Carolina's continued funding. None of the participating governments have any equity interest in the library, so no equity interest has been reflected in the financial statements at June 30, 2012. During the year ended June 30, 2012, the County contributed \$953,075 to the library in Carteret County.

**Global Trans-Park Development Commission**

The Global Trans-Park Development Commission ("Commission") is a corporate body created on November 29, 1993. Its purpose is to allow the 13 participating counties, including Carteret County, which have the potential to derive direct economic benefits from the North Carolina Global Trans-Park, to create a special economic development district, known as the Global Trans-Park Development Zone. The Commission's primary responsibility is to promote and encourage economic development within the territorial jurisdiction of the Zone by fostering development projects to provide land, buildings, facilities, programs, information and data systems, and infrastructure requirements for business and industry in the Global Trans-Park Development Zone.

The Commission is governed by 42 voting members, consisting of three members from Carteret County and each of the 12 other participating counties, and three members appointed by the Global Trans-Park Authority. The voting members from each of the counties are appointed by the Board of County Commissioners of the respective counties.

The Commission is responsible for a nonexpendable trust fund consisting of an initial State appropriation of \$7.5 million and 85% of the quarterly distributions of the \$5 motor vehicle license fees collected by the North Carolina Department of Transportation. The principal balance of the trust funds is nonexpendable and will revolve as loans are made and repaid to the Commission. At June 30, 2012, the portion of the trust available to be loaned exclusively to Carteret County was \$1,705,420.

## Carteret County, North Carolina

### Notes to Financial Statements

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#### 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.

##### Commitments

At June 30, 2012, the County had contractual commitments totaling approximately \$1,744,000 within the Highway 101 Phase II Water Capital Project Fund financed by loan proceeds and grants from the USDA, of which approximately \$1,485,000 was paid through June 30, 2012, leaving a remaining commitment under this contract of approximately \$259,000.

##### Federal and State Assisted Programs

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

##### Component unit information:

The Hospital is insured under claims-made policies for the purpose of providing professional and patient care liability insurance. These policies cover only malpractice claims reported to the insurance carrier during the policy term. Coverage includes a \$3,000,000 policy on professional liability limited to \$1,000,000 per case and an excess coverage policy of \$10,000,000 for specified aggregate amounts in excess of the basic coverage. The excess coverage is an occurrence policy with a retroactive date of June 15, 1976. Incidents occurring through September 30, 2011, may result in the assertion of a claim. In the opinion of management, these actions would be successfully defended or resolved without material adverse effect on the financial position of the Hospital.

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

The Airport has the following construction commitments as of June 30, 2012:

<b>Project</b>	<b>Spent-To-Date</b>	<b>Remaining Commitment</b>
Land Acquisition for Runway Projection Zone	\$ 520,454	\$ 35,105
Stormwater Pollution Prevention Plan	67,040	1,030
Design & Bidding and Preliminary Engineering for the R/W 8-26 Pavement Rehab	97,975	4,970
Hangar Project	60,000	60,000
	<u>\$ 745,469</u>	<u>\$ 101,105</u>



**Carteret County, North Carolina**

**Notes to Financial Statements**

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

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General Fund	Occupancy Tax	
	Occupancy tax distribution	\$ 265,884
	CDBG SSH Fund	239
	2006 School Project Fund	34,073
	Water Construction Fund	2,151,522
		<u>\$ 2,451,718</u>

Due to/from primary government and component units:

<b>Receivable Entity</b>	<b>Payable Entity</b>	<b>Amount</b>
Primary government:	Component unit:	
General Fund	Beaufort-Morehead City Airport Authority	
	Long-term liability due to Carteret County	
	from component unit	\$ 227,138
	Carteret County ABC Board	
	Net income distribution due to County	
	at June 30, 2012	123,672
		<u>\$ 350,810</u>

**Carteret County, North Carolina**

**Notes to Financial Statements**

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

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

Interfund transfers for the year ended June 30, 2012, are as follows:

<b>Transfers Out</b>	<b>Transfers In</b>			<b>Total</b>
	<b>Major General</b>	<b>Other Governmental Funds</b>	<b>Major Water Fund</b>	
Major General Fund	\$ -	\$ 2,352,236	\$ -	\$ 2,352,236
Major Occupancy Tax Fund	1,866,140	-	-	1,866,140
Other Governmental Funds	-	-	245,000	245,000
<b>Total transfers out</b>	<b>\$ 1,866,140</b>	<b>\$ 2,352,236</b>	<b>\$ 245,000</b>	<b>\$ 4,463,376</b>

Transfers consist primarily of the following:

<b>\$ 2,352,236</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>1,866,140</b>	Transfer from Occupancy Tax Fund in accordance with North Carolina General Statutes
<b>245,000</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, 2012, are as follows:

Expenditures from General Fund to Beaufort-Morehead City Airport Authority for operations	<b>\$ 103,381</b>
Expenditures from Occupancy Tax Fund to Carteret County Tourism Development Authority for portion of Room Occupancy Tax	<b>2,715,486</b>
	<b>\$ 2,818,867</b>
Profit Contributions from ABC Board to General Fund	<b>\$ 449,385</b>

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

The GASB has issued several pronouncements prior to June 30, 2012, that have effective dates that may affect future financial presentation.

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

- GASB Statement Number 60, "Service Concession Arrangements" will be effective for the County beginning with its year ending June 30, 2013.
- GASB Statement Number 61, "The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and 34" will be effective for the County beginning with its year ending June 30, 2013.
- GASB Statement Number 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" will be effective for the County beginning with its year ending June 30, 2013.
- GASB Statement Number 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" will be effective for the County beginning with its year ending June 30, 2013.
- GASB Statement Number 65, "Items Previously Reported as Assets and Liabilities" will be effective for the County beginning with its year ending June 30, 2014.
- GASB Statement Number 66, "Technical Corrections – 2012- An Amendment of GASB Statement No. 10 and No. 62" will be effective for the County beginning with its year ending June 30, 2014.
- GASB Statement Number 67, "Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25" will be effective for the County beginning with its year ending June 30, 2014.
- GASB Statement Number 68, "Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27" will be effective for the County beginning with its year ending June 30, 2015.

**Note 20. Subsequent Events**

On July 16, 2012, Carteret County Board of Commissioners approved transferring the \$1,404,021 proceeds of the Department of Transportation right-of-way property sale to the Airport and allowing the Airport to use a portion of those proceeds to pay off the outstanding balance of the loan between the County and the Airport. The net amount transferred to the Airport on July 18, 2012, was \$1,179,678.

On September 17, 2012, the Board of Commissioners approved a request to the Local Government Commission to extend the authorization period of the \$9.7 million authorized unissued school general obligation bonds from November 5, 2012 to November 5, 2015. The NC Local Government Commission approved this extension at its September 2012 meeting.

**Carteret County, North Carolina**

**Notes to Financial Statements**

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**Note 20. Subsequent Events (Continued)**

**Component Unit Information**

The Carteret County ABC Board has the following subsequent events. The ABC Board refinanced the following notes with First Citizens Bank on July 19, 2012.

<b>Installment Loan</b>	<b>Outstanding Balance</b>	<b>Interest Rate</b>	<b>Payment Amount</b>	<b>Maturity</b>
Beaufort Facility	\$ 744,895	2.40%	\$ 7,094	July 19, 2022
Cape Carteret Facility	540,817	2.40%	5,118	July 19, 2022
Newport Property	304,004	2.40%	2,878	July 19, 2022
Atlantic Beach Facility	241,148	2.40%	2,286	July 19, 2022

The Hospital approved at its August 14, 2012, meeting to return Taylor Extended Care to the County and no longer manage the facility effective March 1, 2013. On August 20, 2012, the County Board of Commissioners voted to accept the facility and terms from the Hospital that was approved on August 14, 2012.

**Note 21. Special Item**

During the year ended June 30, 2012, the County sold right-of-way property to the NC Department of Transportation. The property had a book value of \$1,404,021 and was sold for \$1,528,575. The gain related to this sale is immaterial to the financial statements as a whole.



# Required Supplemental Financial Data

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

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

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

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

**Schedule of Funding Progress for the Other Postemployment Benefits**

**Schedule of Employer Contributions for the Other Postemployment Benefits**

**Notes to the Required Schedules for the Other Postemployment Benefits**

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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)
12/31/2006	\$ -	\$ 223,213	\$ 223,213	0.00%	\$ 1,460,449	15.28%
12/31/2007	-	330,143	330,143	0.00%	1,683,212	19.61%
12/31/2008	-	289,070	289,070	0.00%	1,729,225	16.72%
12/31/2009	-	455,271	455,271	0.00%	1,791,495	25.41%
12/31/2010	-	467,450	467,450	0.00%	1,764,035	26.50%
12/31/2011	-	494,987	494,987	0.00%	1,844,803	26.83%



**Carteret County, North Carolina**

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

Year Ending June 30,	Annual Required Contributions	Percentage Contributions
2007	\$ 30,593	42.81%
2008	35,763	73.25%
2009	42,551	70.01%
2010	40,252	89.50%
2011	61,124	58.94%
2012	63,345	44.18%

Notes to the Required Schedules:

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

Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	19 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25% - 7.85%
*Includes inflation at	3.00%
Cost of living adjustments	N/A

**Carteret County, North Carolina**

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

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

**Carteret County, North Carolina**

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

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

Notes to the Required Schedules:

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

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

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

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Year Ended June 30, 2012

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes:			
Current period	\$ 43,670,000	\$ 43,758,543	\$ 88,543
Prior years	930,000	1,145,146	215,146
Interest and penalties	282,000	330,271	48,271
	<u>44,882,000</u>	<u>45,233,960</u>	<u>351,960</u>
Other taxes and licenses:			
White goods disposal tax	20,000	20,846	846
ABC local bottle tax	30,000	32,244	2,244
Local option sales tax	10,450,000	11,267,850	817,850
Solid waste disposal tax	20,000	31,654	11,654
Scrap tire disposal tax	70,000	81,956	11,956
	<u>10,590,000</u>	<u>11,434,550</u>	<u>844,550</u>
Permits and fees:			
Sheriff fees	193,900	173,546	(20,354)
Register of deeds	924,839	1,011,152	86,313
Privilege licenses	14,000	16,350	2,350
Franchise fees	525,000	482,711	(42,289)
Building and Inspection Fees	464,590	560,351	95,761
Environmental health fees	225,000	261,616	36,616
Other fees	110,500	84,510	(25,990)
	<u>2,457,829</u>	<u>2,590,236</u>	<u>132,407</u>
Intergovernmental:			
Restricted:			
Federal and State grants	12,671,493	12,187,148	(484,345)
Lottery Proceeds	700,000	700,000	-
Court facilities fees	240,000	191,406	(48,594)
Unrestricted:			
Beer and wine tax	160,000	167,412	7,412
Payments in lieu of taxes	-	163,941	163,941
ABC profits	270,000	449,385	179,385
Croatan National Forest	80,000	53,241	(26,759)
	<u>14,121,493</u>	<u>13,912,533</u>	<u>(208,960)</u>
Sales and services:			
Solid waste	2,240,000	2,189,986	(50,014)
Civic center fees	173,800	217,644	43,844
Other	513,090	432,446	(80,644)
	<u>2,926,890</u>	<u>2,840,076</u>	<u>(86,814)</u>
Interest	<u>350,000</u>	<u>461,823</u>	<u>111,823</u>
Miscellaneous:			
Other	200,604	188,502	(12,102)
	<u>200,604</u>	<u>188,502</u>	<u>(12,102)</u>
<b>Total revenues</b>	<u>75,528,816</u>	<u>76,661,680</u>	<u>1,132,864</u>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)  
Year Ended June 30, 2012

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
<b>Expenditures</b>			
General government:			
Governing body:			
Salaries and employee benefits		52,648	
Operating expenses		190,867	
Professional services		65,721	
	<u>311,700</u>	<u>309,236</u>	<u>2,464</u>
Administration:			
Salaries and employee benefits		272,840	
Operating expenses		49,297	
	<u>427,160</u>	<u>322,137</u>	<u>105,023</u>
Information systems:			
Salaries and employee benefits		213,386	
Operating expenses		422,411	
Capital outlay		33,051	
	<u>707,446</u>	<u>668,848</u>	<u>38,598</u>
Finance:			
Salaries and employee benefits		539,709	
Operating expenses		46,258	
	<u>601,715</u>	<u>585,967</u>	<u>15,748</u>
Human resources:			
Salaries and employee benefits		213,821	
Operating expenses		46,121	
	<u>264,471</u>	<u>259,942</u>	<u>4,529</u>
Tax:			
Salaries and employee benefits		906,309	
Operating expenses		104,128	
Contract services		113,875	
Contract services		28,398	
	<u>1,189,812</u>	<u>1,152,710</u>	<u>37,102</u>
Revaluation:			
Salaries and employee benefits		174,980	
Operating expenses		14,383	
	<u>240,908</u>	<u>189,363</u>	<u>51,545</u>
Legal:			
Professional services	<u>70,000</u>	<u>76,796</u>	<u>(6,796)</u>
Court facilities:			
Operating expenses	<u>65,765</u>	<u>49,678</u>	<u>16,087</u>
Elections:			
Salaries and employee benefits		247,810	
Operating expenses		123,130	
	<u>471,993</u>	<u>370,940</u>	<u>101,053</u>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)  
Year Ended June 30, 2012

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Register of deeds:			
Salaries and employee benefits		249,759	
Operating expenses		108,887	
	<b>378,434</b>	<b>358,646</b>	<b>19,788</b>
Public buildings:			
Salaries and employee benefits		525,903	
Operating expenses		532,266	
	<b>1,203,077</b>	<b>1,058,169</b>	<b>144,908</b>
<b>Total general government</b>	<b>5,932,481</b>	<b>5,402,432</b>	<b>530,049</b>
Public safety:			
Sheriff:			
Salaries and employee benefits		2,986,857	
Operating expenses		771,872	
Contract services		40,015	
Capital outlay		156,432	
	<b>4,066,819</b>	<b>3,955,176</b>	<b>111,643</b>
Sheriff - Jail division:			
Salaries and employee benefits		1,389,375	
Operating expenses		598,751	
Contract services		276,248	
	<b>2,450,845</b>	<b>2,264,374</b>	<b>186,471</b>
Emergency medical service:			
Salaries and employee benefits		125,937	
Operating expenses		23,527	
Contract services		23,000	
	<b>173,955</b>	<b>172,464</b>	<b>1,491</b>
Paramedic operations:			
Salaries and employee benefits		559,365	
Operating expenses		148,470	
Capital outlay		11,574	
	<b>746,773</b>	<b>719,409</b>	<b>27,364</b>
Emergency management:			
Salaries and employee benefits		104,586	
Operating expenses		147,325	
Contracted services		86,796	
Capital outlay		168,091	
	<b>524,496</b>	<b>506,798</b>	<b>17,698</b>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)  
Year Ended June 30, 2012

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Rape crisis program:			
Salaries and employee benefits		163,682	
Operating expenses		27,526	
	<u>218,490</u>	<u>191,208</u>	<u>27,282</u>
Domestic violence program:			
Operating expenses	<u>36,560</u>	<u>23,554</u>	<u>13,006</u>
Fire Marshall:			
Salaries and employee benefits		75,172	
Operating expenses		11,566	
	<u>87,456</u>	<u>86,738</u>	<u>718</u>
Consolidated Communications:			
Salaries and employee benefits		1,116,980	
Operating expenses		161,426	
	<u>1,332,830</u>	<u>1,278,406</u>	<u>54,424</u>
Medical examiner:			
Professional services	<u>52,000</u>	<u>51,600</u>	<u>400</u>
Animal control:			
Salaries and employee benefits		185,146	
Operating expenses		213,660	
	<u>452,310</u>	<u>398,806</u>	<u>53,504</u>
<b>Total public safety</b>	<u>10,142,534</u>	<u>9,648,533</u>	<u>494,001</u>
Transportation:			
Harbors:			
Operating expenses	<u>47,790</u>	<u>38,238</u>	<u>9,552</u>
Beaufort-Morehead City Airport Authority	<u>120,046</u>	<u>103,381</u>	<u>16,665</u>
CCATS:			
Salaries and employee benefits		106,863	
Operating expenses		911,366	
	<u>1,218,120</u>	<u>1,018,229</u>	<u>199,891</u>
<b>Total transportation</b>	<u>1,385,956</u>	<u>1,159,848</u>	<u>226,108</u>
Environmental protection:			
Forest fire control	<u>121,000</u>	<u>105,496</u>	<u>15,504</u>
Tri-County solid waste collections	<u>3,303,735</u>	<u>3,213,693</u>	<u>90,042</u>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)  
Year Ended June 30, 2012

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Public works:			
Salaries and employee benefits		399,553	
Operating expenses		258,319	
Capital outlay		37,725	
	<u>763,345</u>	<u>695,597</u>	<u>67,748</u>
<b>Total environmental protection</b>	<b>4,188,080</b>	<b>4,014,786</b>	<b>173,294</b>
Economic and physical development:			
Special appropriations:			
Economic Development Council		175,000	
Business development		25,000	
	<u>210,000</u>	<u>200,000</u>	<u>10,000</u>
Beach nourishment			
Salaries and employee benefits		105,183	
Operating expenses		110,957	
Contract services		2,199,214	
	<u>2,717,606</u>	<u>2,415,354</u>	<u>302,252</u>
Planning and zoning:			
Salaries and employee benefits		595,177	
Operating expenses		99,267	
Contract services		36,860	
Capital outlay		27,600	
	<u>773,662</u>	<u>758,904</u>	<u>14,758</u>
Engineering:			
Salaries and employee benefits		114,036	
Operating expenses		37,132	
	<u>155,438</u>	<u>151,168</u>	<u>4,270</u>
Cooperative extension:			
Salaries and employee benefits		54,306	
Operating expenses		212,712	
	<u>289,047</u>	<u>267,018</u>	<u>22,029</u>
<b>Total economic and physical development</b>	<b>4,145,753</b>	<b>3,792,444</b>	<b>353,309</b>
Human Services:			
Health center:			
Salaries and employee benefits		978,009	
Operating expenses		191,622	
	<u>1,190,485</u>	<u>1,169,631</u>	<u>20,854</u>
Health promotion:			
Salaries and employee benefits		66,472	
Operating expenses		25	
	<u>68,130</u>	<u>66,497</u>	<u>1,633</u>
Breast & Cervical Cancer			
Salaries and employee benefits		251	
Operating expenses		18,806	
	<u>22,095</u>	<u>19,057</u>	<u>3,038</u>

(Continued)



Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)  
Year Ended June 30, 2012

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Dental Program			
Salaries and employee benefits		136,389	
Operating expenses		18,575	
	<b>170,955</b>	<b>154,964</b>	<b>15,991</b>
Communicable Diseases			
Salaries and employee benefits		122,690	
Operating expenses		491	
	<b>124,210</b>	<b>123,181</b>	<b>1,029</b>
Operating Preparedness and Response			
Salaries and employee benefits		50,509	
Operating expenses		361	
	<b>54,380</b>	<b>50,870</b>	<b>3,510</b>
Family Planning			
Salaries and employee benefits		103,751	
Operating expenses		41,945	
	<b>153,890</b>	<b>145,696</b>	<b>8,194</b>
Maternal adult and child health:			
Salaries and employee benefits		261,313	
Operating expenses		3,399	
	<b>269,455</b>	<b>264,712</b>	<b>4,743</b>
Child care coordination:			
Salaries and employee benefits		188,246	
Operating expenses		777	
	<b>194,495</b>	<b>189,023</b>	<b>5,472</b>
Women, infants, and children:			
Administration:			
Salaries and employee benefits		223,264	
Operating expenses		2,816	
	<b>230,353</b>	<b>226,080</b>	<b>4,273</b>
Nutrition:			
Salaries and employee benefits		53,344	
	<b>54,870</b>	<b>53,344</b>	<b>1,526</b>
Environmental health:			
Salaries and employee benefits		976,086	
Operating expenses		71,037	
	<b>1,075,127</b>	<b>1,047,123</b>	<b>28,004</b>
Mental health:			
Mental health center and other		260,500	
Mental health, ABC		30,000	
	<b>303,000</b>	<b>290,500</b>	<b>12,500</b>
DSS administration:			
Salaries and employee benefits		5,414,026	
Operating expenses		1,326,505	
Capital outlay		260,341	
	<b>7,242,219</b>	<b>7,000,872</b>	<b>241,347</b>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)  
Year Ended June 30, 2012

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
General assistance:			
Boarding home		138,020	
Clothing and medical expense		15,227	
Special children adoption		4,324	
Childrens Adoption Incentive		25,608	
Smart Start day care		29,000	
Miscellaneous		36,501	
	<u>402,500</u>	<u>248,680</u>	<u>153,820</u>
TANF Block grant:			
TANF Block grant		73,285	
Operating expenses		44,065	
	<u>218,676</u>	<u>117,350</u>	<u>101,326</u>
DSS special assistance	<u>2,931,505</u>	<u>2,832,694</u>	<u>98,811</u>
Special projects	<u>810,842</u>	<u>528,077</u>	<u>282,765</u>
Other human services	<u>347,580</u>	<u>355,800</u>	<u>(8,220)</u>
Veteran services:			
Salaries and employee benefits		202,828	
Operating expenses		51,308	
Contracted services		44,226	
	<u>341,234</u>	<u>298,362</u>	<u>42,872</u>
Senior center aging programs:			
Salaries and employee benefits		194,709	
Operating expenses		81,485	
Contract services		132,918	
Capital outlay			
	<u>424,020</u>	<u>409,112</u>	<u>14,908</u>
Title III F grant:			
Salaries and employee benefits		5,111	
Operating expenses		1,455	
	<u>6,965</u>	<u>6,566</u>	<u>399</u>
<b>Total human services</b>	<u>16,636,986</u>	<u>15,598,191</u>	<u>1,038,795</u>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits		469,022	
Operating expenses		172,400	
Contract services		12,936	
	<u>686,384</u>	<u>654,358</u>	<u>32,026</u>

(Continued)

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)**  
**Year Ended June 30, 2012**

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Parks and recreation maintenance:			
Salaries and employee benefits		329,457	
Operating expenses		152,120	
Contract services		37,838	
	<u>524,938</u>	<u>519,415</u>	<u>5,523</u>
Senior center:			
Salaries and employee benefits		109,555	
Operating expenses		51,529	
Contract services		19,655	
	<u>197,629</u>	<u>180,739</u>	<u>16,890</u>
Carteret County Library:			
Appropriations to Library Systems	1,094,799	1,094,798	1
Civic center:			
Salaries and employee benefits		204,291	
Operating expenses		108,990	
Contract services		4,245	
Capital outlay		7,188	
	<u>330,055</u>	<u>324,714</u>	<u>5,341</u>
<b>Total culture and recreation</b>	<u>2,833,805</u>	<u>2,774,024</u>	<u>59,781</u>
Education:			
Public schools, current expense	20,100,000	20,101,544	(1,544)
Community college, current expense	2,043,000	2,043,000	-
Community college, capital outlay	251,826	161,634	90,192
<b>Total education</b>	<u>22,394,826</u>	<u>22,306,178</u>	<u>88,648</u>
Debt service:			
Principal retirement	6,728,450	6,615,517	112,933
Interest and fees	2,953,155	2,883,139	70,016
<b>Total debt service</b>	<u>9,681,605</u>	<u>9,498,656</u>	<u>182,949</u>
<b>Total expenditures</b>	<u>77,342,026</u>	<u>74,195,092</u>	<u>3,146,934</u>
<b>Revenues over (under) expenditures</b>	<u>(1,813,210)</u>	<u>2,466,588</u>	<u>4,279,798</u>
<b>Other financing sources (uses)</b>			
Transfers in (out):			
Debt issuance	10,029,990	10,029,942	(48)
Advanced refunding	(10,029,990)	(10,012,059)	17,931
Proceeds from sale of capital assets	25,000	1,406,960	1,381,960
From Occupancy Tax Fund	1,837,860	1,866,140	28,280
To School Project Fund	(1,103,000)	(1,103,000)	-
To School Bond Fund	(1,245,810)	(1,245,810)	-
To Emergency Telephone System Fund	(3,426)	(3,426)	-
Contingency reserves	(1,149,928)	-	1,149,928
Appropriated fund balance	3,452,514	-	(3,452,514)
<b>Total other financing sources (uses)</b>	<u>1,813,210</u>	<u>938,747</u>	<u>(874,463)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>3,405,335</u>	<u>\$ 3,405,335</u>
<b>Fund balance</b>			
Beginning		43,426,021	
Ending		<u>\$ 46,831,356</u>	

Carteret County, North Carolina

Combining Balance Sheet - Nonmajor Governmental Fund Types  
June 30, 2012

	Government Fund Types		
	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Assets</b>			
Assets:			
Cash and investments	\$ 610,551	\$ 2,948,496	\$ 3,559,047
Restricted cash and investments	3,193,637	2,028,782	5,222,419
Receivables, net	998,578	111,784	1,110,362
<b>Total assets</b>	<b>\$ 4,802,766</b>	<b>\$ 5,089,062</b>	<b>\$ 9,891,828</b>
<b>Liabilities and Fund Balances (Deficits)</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 222,414	\$ 451,451	\$ 673,865
Due to other funds	239	34,073	34,312
Deferred revenue	531,360	-	531,360
<b>Total liabilities</b>	<b>754,013</b>	<b>485,524</b>	<b>1,239,537</b>
Fund balances (deficits):			
Restricted:			
Public safety	594,250	-	594,250
Economic development	28,443	-	28,443
Rescue protection	1,386,031	-	1,386,031
Fire protection	2,002,963	-	2,002,963
School capital	-	1,958,941	1,958,941
Committed:			
Economic development	-	728,994	728,994
School capital	-	543,229	543,229
Assigned:			
Subsequent year's expenditures	37,305	64,055	101,360
County capital	-	1,308,319	1,308,319
Unassigned:			
	(239)	-	(239)
<b>Total fund balance</b>	<b>4,048,753</b>	<b>4,603,538</b>	<b>8,652,291</b>
<b>Total liabilities and fund balance</b>	<b>\$ 4,802,766</b>	<b>\$ 5,089,062</b>	<b>\$ 9,891,828</b>

Carteret County, North Carolina

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -  
 Nonmajor Governmental Fund Types  
 Year Ended June 30, 2012

	Government Fund Types		
	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Revenues</b>			
Ad valorem taxes	\$ 5,835,990	\$ -	\$ 5,835,990
Other taxes and licenses	1,627,963	-	1,627,963
Intergovernmental	914,050	199,768	1,113,818
Interest	34,223	32,237	66,460
Miscellaneous	-	22,616	22,616
<b>Total revenues</b>	<b>8,412,226</b>	<b>254,621</b>	<b>8,666,847</b>
<b>Expenditures</b>			
Current:			
Public safety	7,215,079	-	7,215,079
Economic and physical development	354,368	-	354,368
Capital outlay	-	3,689,741	3,689,741
<b>Total expenditures</b>	<b>7,569,447</b>	<b>3,689,741</b>	<b>11,259,188</b>
<b>Revenues over (under) expenditures</b>	<b>842,779</b>	<b>(3,435,120)</b>	<b>(2,592,341)</b>
<b>Other financing sources (uses)</b>			
Transfers in	3,426	2,348,810	2,352,236
Sale of capital assets	-	124,554	124,554
Transfers out	(245,000)	-	(245,000)
<b>Total other financing sources (uses)</b>	<b>(241,574)</b>	<b>2,473,364</b>	<b>2,231,790</b>
<b>Net change in fund balance</b>	<b>601,205</b>	<b>(961,756)</b>	<b>(360,551)</b>
<b>Fund balances</b>			
Beginning	3,447,548	5,565,294	9,012,842
Ending	<b>\$ 4,048,753</b>	<b>\$ 4,603,538</b>	<b>\$ 8,652,291</b>

## **Nonmajor 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

Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2012

	Rescue Squad Fund	Fire District Fund	Emergency Telephone System Fund
<b>Assets</b>			
Cash and investments	\$ -	\$ -	\$ 582,105
Restricted cash and investments	1,329,714	1,863,923	-
Receivables:			
Property taxes receivable, net	198,190	321,374	-
Accounts receivable	161,278	259,314	46,626
<b>Total assets</b>	<b>\$ 1,689,182</b>	<b>\$ 2,444,611</b>	<b>\$ 628,731</b>
<b>Liabilities and Fund Balances (Deficits)</b>			
Liabilities:			
Accounts payable	\$ 96,601	\$ 91,329	\$ 34,481
Due to other funds	-	-	-
Deferred revenue	198,190	321,374	-
<b>Total liabilities</b>	<b>294,791</b>	<b>412,703</b>	<b>34,481</b>
Fund balances (deficits):			
Restricted:			
Public safety	-	-	594,250
Economic development	-	-	-
Rescue protection	1,386,031	-	-
Fire protection	-	2,002,963	-
Assigned:			
Subsequent year's expenditures	8,360	28,945	-
Unassigned:			
	-	-	-
<b>Total fund balances (deficit)</b>	<b>1,394,391</b>	<b>2,031,908</b>	<b>594,250</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,689,182</b>	<b>\$ 2,444,611</b>	<b>\$ 628,731</b>

Salter Path District Fund	Water Tax District Fund	CDBG 2006 SSH Fund	Totals
\$ 18,599	\$ 9,847	\$ -	\$ 610,551
-	-	-	3,193,637
-	11,796	-	531,360
-	-	-	467,218
<b>\$ 18,599</b>	<b>\$ 21,643</b>	<b>\$ -</b>	<b>\$ 4,802,766</b>

\$ -	\$ 3	\$ -	\$ 222,414
-	-	239	239
-	11,796	-	531,360
-	11,799	239	754,013

-	-	-	594,250
18,599	9,844	-	28,443
-	-	-	1,386,031
-	-	-	2,002,963
-	-	-	37,305
-	-	(239)	(239)
18,599	9,844	(239)	4,048,753
<b>\$ 18,599</b>	<b>\$ 21,643</b>	<b>\$ -</b>	<b>\$ 4,802,766</b>



Carteret County, North Carolina

Nonmajor Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)  
Year Ended June 30, 2012

	Rescue Squad Fund	Fire District Fund	Emergency Telephone System Fund
<b>Revenues</b>			
Ad valorem taxes	\$ 2,013,840	\$ 3,549,197	\$ -
Other taxes and licenses	624,476	1,003,487	-
Intergovernmental	-	-	559,066
Interest	8,259	19,875	5,599
<b>Total revenues</b>	<b>2,646,575</b>	<b>4,572,559</b>	<b>564,665</b>
<b>Expenditures</b>			
Public safety	2,414,476	4,302,005	498,598
Economic and physical development	-	-	-
<b>Total expenditures</b>	<b>2,414,476</b>	<b>4,302,005</b>	<b>498,598</b>
<b>Revenues over expenditures</b>	<b>232,099</b>	<b>270,554</b>	<b>66,067</b>
<b>Other financing source (uses)</b>			
Transfers in	-	-	3,426
Transfers out	-	-	-
<b>Total other financing uses</b>	<b>-</b>	<b>-</b>	<b>3,426</b>
<b>Revenues and other financing sources over expenditures and other financing uses</b>	<b>232,099</b>	<b>270,554</b>	<b>69,493</b>
<b>Fund balances (deficits)</b>			
Beginning	1,162,292	1,761,354	524,757
Ending	<b>\$ 1,394,391</b>	<b>\$ 2,031,908</b>	<b>\$ 594,250</b>

Salter Path District Fund	Water Tax District Fund	CDBG 2006 SSH Fund	CDBG 2009 CR Fund	Totals
\$ 18,498	\$ 254,455	\$ -	\$ -	\$ 5,835,990
-	-	-	-	1,627,963
-	-	119,234	235,750	914,050
101	389	-	-	34,223
18,599	254,844	119,234	235,750	8,412,226
-	-	-	-	7,215,079
-	-	118,618	235,750	354,368
-	-	118,618	235,750	7,569,447
18,599	254,844	616	-	842,779
-	-	-	-	3,426
-	(245,000)	-	-	(245,000)
-	(245,000)	-	-	(241,574)
18,599	9,844	616	-	601,205
-	-	(855)	-	3,447,548
\$ 18,599	\$ 9,844	\$ (239)	\$ -	\$ 4,048,753

Carteret County, North Carolina

Rescue Squad Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes	\$ 1,954,538	\$ 2,013,840	\$ 59,302
Other taxes and licenses:			
Local option sales tax	552,000	624,476	72,476
Interest	-	8,259	8,259
<b>Total revenues</b>	<b>2,506,538</b>	<b>2,646,575</b>	<b>140,037</b>
<b>Expenditures</b>			
Public safety:			
Beaufort	700,050	700,050	-
Broad and Gales Creek	212,400	212,400	-
Mill Creek	82,598	82,598	-
Mitchell Village	177,780	177,780	-
Otway	159,900	159,900	-
Sea Level	156,338	156,338	-
Western Carteret	373,410	373,410	-
District reserves	141,363	-	141,363
Local sales tax	552,000	552,000	-
<b>Total expenditures</b>	<b>2,555,839</b>	<b>2,414,476</b>	<b>141,363</b>
<b>Revenues over (under) expenditures</b>	<b>(49,301)</b>	<b>232,099</b>	<b>(281,400)</b>
<b>Other financing sources</b>			
Appropriated fund balance	49,301	-	(49,301)
<b>Revenues and other financing sources over expenditures</b>	<b>\$ -</b>	<b>232,099</b>	<b>\$ 232,099</b>
<b>Fund balances</b>			
Beginning		1,162,292	
Ending		<u>\$ 1,394,391</u>	

Carteret County, North Carolina

Fire District Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes	\$ 3,463,978	\$ 3,549,197	\$ 85,219
Other taxes and licenses:			
Local option sales tax	792,600	1,003,487	210,887
Interest	-	19,875	19,875
<b>Total revenues</b>	<b>4,256,578</b>	<b>4,572,559</b>	<b>315,981</b>
<b>Expenditures</b>			
Public safety:			
Fire Districts:			
Atlantic	76,055	76,055	-
Beaufort	326,123	326,123	-
Broad and Gales Creek	212,835	212,835	-
Cedar Island	46,850	46,850	-
Davis	63,878	63,878	-
Harkers Island	275,400	275,400	-
Harlowe	76,425	76,425	-
Marshallberg	200,565	200,565	-
Mill Creek	26,910	26,888	22
Mitchell Village, Crab Point	331,573	331,573	-
Newport	303,415	303,415	-
North River	56,115	56,115	-
Otway	144,843	144,843	-
Salter Path	47,775	45,818	1,957
Sea Level	47,288	47,288	-
South River	108,570	108,570	-
Stacy	21,463	21,463	-
Stella	81,000	81,000	-
Wildwood	545,998	545,998	-
Western Carteret	428,140	428,140	-
District reserves	168,881	80,500	88,381
Local sales tax	792,600	802,263	(9,663)
<b>Total expenditures</b>	<b>4,382,702</b>	<b>4,302,005</b>	<b>80,697</b>
<b>Revenues over (under) expenditures</b>	<b>(126,124)</b>	<b>270,554</b>	<b>396,678</b>
<b>Other financing sources</b>			
Appropriated fund balance	126,124	-	(126,124)
<b>Revenues and other financing sources over expenditures</b>	<b>\$ -</b>	<b>270,554</b>	<b>\$ 270,554</b>
<b>Fund balances</b>			
Beginning		1,761,354	
Ending		<u>\$ 2,031,908</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, 2012

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$ 559,067	\$ 559,066	\$ (1)
Interest	1,500	5,599	4,099
<b>Total revenues</b>	<b>560,567</b>	<b>564,665</b>	<b>4,098</b>
<b>Expenditures</b>			
Public safety:			
Operating expenses	579,751	443,488	136,263
Contracted services	87,500	28,941	58,559
Capital outlay	48,000	26,169	21,831
<b>Total expenditures</b>	<b>715,251</b>	<b>498,598</b>	<b>216,653</b>
<b>Revenues over (under) expenditures</b>	<b>(154,684)</b>	<b>66,067</b>	<b>220,751</b>
<b>Other financing sources</b>			
Transfers in	-	3,426	\$ 3,426
Fund balance appropriated	154,684	-	(154,684)
<b>Total other financing sources</b>	<b>154,684</b>	<b>3,426</b>	<b>(151,258)</b>
<b>Revenues and other financing sources under expenditures</b>	<b>\$ -</b>	<b>69,493</b>	<b>\$ 69,493</b>
<b>Fund balances</b>			
Beginning		524,757	
Ending		<u>\$ 594,250</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, 2012

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes	\$ 18,263	\$ 18,498	\$ 235
Interest	-	101	101
<b>Total revenues</b>	<u>18,263</u>	<u>18,599</u>	<u>336</u>
<b>Expenditures</b>			
Economic and physical development:			
Beach nourishment	<u>18,263</u>	-	<u>18,263</u>
<b>Total expenditures</b>	<u>18,263</u>	<u>-</u>	<u>18,263</u>
<b>Revenues over expenditures</b>	<u>\$ -</u>	<u>18,599</u>	<u>\$ 18,599</u>
<b>Fund balances</b>			
Beginning		-	
Ending		<u>\$ 18,599</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, 2012

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes	\$ 270,000	\$ 254,455	\$ (15,545)
Interest	-	389	389
<b>Total revenues</b>	<u>270,000</u>	<u>254,844</u>	<u>(15,156)</u>
<b>Other financing uses</b>			
Transfers out	(258,300)	(245,000)	13,300
Contingency	(11,700)	-	11,700
<b>Total other financing uses</b>	<u>(270,000)</u>	<u>(245,000)</u>	<u>25,000</u>
<b>Revenues over other financing uses</b>	<u>\$ -</u>	<u>9,844</u>	<u>\$ 9,844</u>
<b>Fund balances</b>			
Beginning		-	
Ending		<u>\$ 9,844</u>	

Carteret County, North Carolina

2006 CDBG SSH Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
From Inception and the Year Ended June 30, 2012

	Total Project Estimate	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues</b>				
Intergovernmental:				
Community Development Block Grant 2006	\$ 400,000	\$ 400,000	\$ -	\$ 400,000
Community Development Block Grant 2009	400,000	-	119,234	119,234
<b>Total revenues</b>	<b>800,000</b>	400,000	119,234	519,234
<b>Expenditures</b>				
Economic and physical development:				
2006 program				
Clearance 2006	3,000	15,818	-	15,818
Relocation 2006	60,000	114,503	-	114,503
Rehabilitation 2006	297,000	242,326	-	242,326
Administration 2006	40,000	27,353	-	27,353
	<b>400,000</b>	400,000	-	400,000
2009 program				
Clearance 2009	10,000	-	1,426	1,426
Relocation 2009	90,000	-	108,913	108,913
Rehabilitation 2009	260,000	145	-	145
Administration 2009	40,000	710	8,279	8,989
	<b>400,000</b>	855	118,618	119,473
<b>Total expenditures</b>	<b>800,000</b>	400,855	118,618	519,473
<b>Revenues over (under) expenditures</b>	<b>\$ -</b>	<b>\$ (855)</b>	<b>616</b>	<b>\$ (239)</b>
<b>Fund balances (deficit)</b>				
Beginning			(855)	
Ending			<b>\$ (239)</b>	



Carteret County, North Carolina

CDBG 2009 CR Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
From Inception and the Year Ended June 30, 2012

	Total Project Estimate	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues</b>				
Intergovernmental:				
Community Development Block Grant	\$ 1,000,000	\$ 10,924	\$ 235,750	\$ 246,674
<b>Total revenues</b>	<b>1,000,000</b>	<b>10,924</b>	<b>235,750</b>	<b>246,674</b>
<b>Expenditures</b>				
Economic and Physical Development:				
Clearance	15,000	-	6,040	6,040
Relocation	340,000	-	7,848	7,848
Rehabilitation	401,000	5,600	197,837	203,437
Administration	84,500	5,324	24,025	29,349
Drainage	9,500	-	-	-
Park/ Playground Facility	150,000	-	-	-
<b>Total expenditures</b>	<b>1,000,000</b>	<b>10,924</b>	<b>235,750</b>	<b>246,674</b>
<b>Revenues over expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
<b>Fund balances</b>				
Beginning			-	
Ending			<u>\$ -</u>	

## **Nonmajor 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

Nonmajor Capital Projects Fund

Combining Balance Sheet

June 30, 2012

	County Capital Reserve Fund	County Capital Improvements Fund	School Special Projects Fund
<b>Assets</b>			
Cash and investments	\$ 728,994	\$ 1,346,418	\$ 738,798
Restricted cash and investments	-	-	265
Accounts receivable	-	111,784	-
<b>Total assets</b>	<b>\$ 728,994</b>	<b>\$ 1,458,202</b>	<b>\$ 739,063</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ 135,828	\$ 279,855
Due to other funds	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>135,828</b>	<b>279,855</b>
Fund balances :			
Restricted:			
School capital	-	-	265
Committed:			
Economic development	728,994	-	-
School capital	-	-	408,943
Assigned:			
Subsequent year's expenditures	-	14,055	50,000
County capital	-	1,308,319	-
<b>Total fund balances</b>	<b>728,994</b>	<b>1,322,374</b>	<b>459,208</b>
<b>Total liabilities and fund balances</b>	<b>\$ 728,994</b>	<b>\$ 1,458,202</b>	<b>\$ 739,063</b>

2006 School Project Fund	Morehead Elementary School Fund	Totals
\$ -	\$ 134,286	\$ 2,948,496
1,797,348	231,169	2,028,782
-	-	111,784
<u>\$ 1,797,348</u>	<u>\$ 365,455</u>	<u>\$ 5,089,062</u>

\$ 35,768	\$ -	\$ 451,451
34,073	-	34,073
<u>69,841</u>	<u>-</u>	<u>485,524</u>

1,727,507	231,169	1,958,941
-	-	728,994
-	134,286	543,229
-	-	64,055
-	-	1,308,319
<u>1,727,507</u>	<u>365,455</u>	<u>4,603,538</u>
<u>\$ 1,797,348</u>	<u>\$ 365,455</u>	<u>\$ 5,089,062</u>

Carteret County, North Carolina

Nonmajor Capital Projects Fund

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2012

	County Capital Reserve Fund	County Capital Improvements Fund	School Special Projects Fund
<b>Revenues</b>			
Intergovernmental	\$ -	\$ 111,784	\$ -
Miscellaneous	-	22,616	-
Interest	7,238	15,257	5,462
<b>Total revenues</b>	<b>7,238</b>	<b>149,657</b>	<b>5,462</b>
<b>Expenditures</b>			
Capital outlay	-	626,939	1,045,235
<b>Revenues over (under) expenditures</b>	<b>7,238</b>	<b>(477,282)</b>	<b>(1,039,773)</b>
<b>Other financing sources (uses)</b>			
Transfers in	-	-	1,103,000
Sale of capital assets	-	124,554	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>124,554</b>	<b>1,103,000</b>
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>7,238</b>	<b>(352,728)</b>	<b>63,227</b>
<b>Fund balances</b>			
Beginning	721,756	1,675,102	395,981
Ending	<b>\$ 728,994</b>	<b>\$ 1,322,374</b>	<b>\$ 459,208</b>

2006 School Project Fund	Morehead Elementary School Fund	Totals
\$ 85,167	\$ 2,817	\$ 199,768
-	-	22,616
3,710	570	32,237
88,877	3,387	254,621
2,004,967	12,600	3,689,741
(1,916,090)	(9,213)	(3,435,120)
1,245,810	-	2,348,810
-	-	124,554
1,245,810	-	2,473,364
(670,280)	(9,213)	(961,756)
2,397,787	374,668	5,565,294
\$ 1,727,507	\$ 365,455	\$ 4,603,538

Carteret County, North Carolina

County Capital Reserve Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Year Ended June 30, 2012

	Budget	Actual	Variance Positive
<b>Revenues</b>			
Interest	\$ -	\$ 7,238	\$ 7,238
<b>Revenues over expenditures</b>	<u>\$ -</u>	<u>7,238</u>	<u>7,238</u>
<b>Fund balances</b>			
Beginning		<u>721,756</u>	
Ending		<u>\$ 728,994</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, 2012

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$ 111,784	\$ 111,784	\$ -
Miscellaneous	24,216	22,616	(1,600)
Interest	2,500	15,257	12,757
<b>Total revenues</b>	<b>138,500</b>	<b>149,657</b>	<b>11,157</b>
<b>Expenditures</b>			
Capital outlay:			
Aerial Mapping	67,240	67,237	3
Technology	90,000	44,375	45,625
Bogue Inlet Dredging	30,000	30,000	-
Water Access Morehead City Partnership	100,000	100,000	-
Western Park Improvements	215,303	215,301	2
Western Library Improvements	37,345	34,380	2,965
Scenic Byway land	136,000	135,646	354
<b>Total expenditures</b>	<b>675,888</b>	<b>626,939</b>	<b>48,949</b>
<b>Revenues under expenditures</b>	<b>(537,388)</b>	<b>(477,282)</b>	<b>60,106</b>
<b>Other financing sources</b>			
Sale of capital assets	-	124,554	124,554
Fund Balance Appropriated	537,388	-	(537,388)
<b>Total other financing sources</b>	<b>537,388</b>	<b>124,554</b>	<b>(412,834)</b>
<b>Revenues and other financing sources under expenditures</b>	<b>\$ -</b>	<b>(352,728)</b>	<b>\$ (352,728)</b>
<b>Fund balances</b>			
Beginning		1,675,102	
Ending		<u>\$ 1,322,374</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, 2012

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Interest	\$ 1,000	\$ 5,462	\$ 4,462
<b>Total revenues</b>	<b>1,000</b>	<b>5,462</b>	<b>4,462</b>
<b>Expenditures</b>			
Capital outlay, Board of Education	1,373,183	1,045,235	327,948
<b>Revenues under expenditures</b>	<b>(1,372,183)</b>	<b>(1,039,773)</b>	<b>332,410</b>
<b>Other financing sources</b>			
Transfer from General Fund	1,103,000	1,103,000	-
Fund balance appropriated	269,183	-	(269,183)
<b>Total other financing sources</b>	<b>1,372,183</b>	<b>1,103,000</b>	<b>(269,183)</b>
<b>Revenues and other financing sources under expenditures</b>	<b>\$ -</b>	<b>63,227</b>	<b>\$ 63,227</b>
<b>Fund balances</b>			
Beginning		395,981	
Ending		<u>\$ 459,208</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, 2012

	Total Project Estimate	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues</b>				
Intergovernmental	\$ -	\$ 32,876	\$ 2,817	\$ 35,693
Interest	-	76,591	570	77,161
<b>Total revenues</b>	<b>-</b>	<b>109,467</b>	<b>3,387</b>	<b>112,854</b>
<b>Expenditures</b>				
Capital outlay:				
Building Improvements Morehead	<b>2,000,000</b>	1,734,800	<b>12,600</b>	<b>1,747,400</b>
Building Improvements Newport	<b>1,781,354</b>	1,781,353	-	<b>1,781,353</b>
<b>Total expenditures</b>	<b>3,781,354</b>	<b>3,516,153</b>	<b>12,600</b>	<b>3,528,753</b>
<b>Revenues under expenditures</b>	<b>(3,781,354)</b>	<b>(3,406,686)</b>	<b>(9,213)</b>	<b>(3,415,899)</b>
<b>Other financing sources</b>				
Long-term debt issued	<b>3,781,354</b>	3,781,354	-	<b>3,781,354</b>
<b>Revenues and other financing sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 374,668</b>	<b>(9,213)</b>	<b>\$ 365,455</b>
<b>Fund balances</b>				
Beginning			<b>374,668</b>	
Ending			<b>\$ 365,455</b>	

Carteret County, North Carolina

2006 School Bond Project Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
From Inception and for the Year Ended June 30, 2012

	Amended	Actual		
	Project Estimate	Prior Years	Current Year	Total to Date
<b>Revenues</b>				
Interest	\$ 2,679,217	\$ 2,772,919	\$ 3,710	\$ 2,776,629
Sales Tax Refunds	803,075	717,909	85,167	803,076
State Bond Proceeds	9,195	9,195	-	9,195
<b>Total revenues</b>	<b>3,491,487</b>	<b>3,500,023</b>	<b>88,877</b>	<b>3,588,900</b>
<b>Expenditures</b>				
Current:				
Atlantic Elementary School	1,083,171	774,123	-	774,123
Beaufort Middle School	2,242,355	2,242,355	-	2,242,355
Bogue Sound Elementary School	1,938,660	1,933,409	5,251	1,938,660
Broad Creek Middle School	2,157,911	2,157,910	-	2,157,910
Croatan High School	5,637,194	5,637,193	-	5,637,193
East Carteret High School	8,663,771	7,295,676	1,261,581	8,557,257
Harkers Island School	1,111,455	1,111,455	-	1,111,455
Morehead Middle School	1,555,676	1,522,842	32,834	1,555,676
Morehead Primary School	1,145,550	1,145,549	-	1,145,549
Newport Elementary School	4,144,562	4,144,563	-	4,144,563
Smyrna Elementary School	1,468,412	1,027,875	366,793	1,394,668
West Carteret High School	6,176,307	4,610,773	221,915	4,832,688
White Oak Elementary School	6,739,470	6,672,878	66,593	6,739,471
Central Office	214,187	214,187	-	214,187
Transportation Facility	336,488	336,488	-	336,488
Other Construction	558,305	441,638	50,000	491,638
Issuance cost	210,435	207,680	-	207,680
Capital outlay undistributed bond proceeds	(271,894)	-	-	-
<b>Total expenditures</b>	<b>45,112,015</b>	<b>41,476,594</b>	<b>2,004,967</b>	<b>43,481,561</b>
<b>Revenues under expenditures</b>	<b>(41,620,528)</b>	<b>(37,976,571)</b>	<b>(1,916,090)</b>	<b>(39,892,661)</b>
<b>Other financing sources (uses)</b>				
Transfer from other funds	1,682,403	436,593	1,245,810	1,682,403
Long-term debt issued	41,753,861	41,753,860	-	41,753,860
Bond premium	438,626	438,267	-	438,267
Transfer to other funds	(2,254,362)	(2,254,362)	-	(2,254,362)
<b>Total other financing sources</b>	<b>41,620,528</b>	<b>40,374,358</b>	<b>1,245,810</b>	<b>41,620,168</b>
<b>Revenues over (under) expenditures and other sources</b>	<b>\$ -</b>	<b>\$ 2,397,787</b>	<b>(670,280)</b>	<b>\$ 1,727,507</b>
<b>Fund balances:</b>				
Beginning			2,397,787	
Ending			<u>\$ 1,727,507</u>	

Carteret County, North Carolina

Water Operating Fund

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)  
Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
<b>Revenues, Operating</b>			
Charges for services	\$ 505,700	\$ 526,067	\$ 20,367
<b>Total operating revenues</b>	<b>505,700</b>	<b>526,067</b>	<b>20,367</b>
<b>Expenditures, Operating</b>			
Cost of sales and services:			
Salaries and benefits	222,515	220,338	2,177
Operating expense	243,500	219,747	23,753
<b>Total operating expenditures</b>	<b>466,015</b>	<b>440,085</b>	<b>25,930</b>
<b>Operating revenues over operating expenditures</b>	<b>39,685</b>	<b>85,982</b>	<b>46,297</b>
<b>Nonoperating Revenues (Expenditures)</b>			
Interest earnings	1,000	7,304	6,304
Capital grant	-	-	-
Revolving loan interest	(101,800)	(67,717)	34,083
Principal payments	(197,185)	(171,032)	26,153
Capital outlay	-	-	-
<b>Total nonoperating revenues (expenditures)</b>	<b>(297,985)</b>	<b>(231,445)</b>	<b>66,540</b>
<b>Revenues under expenditures</b>	<b>(258,300)</b>	<b>(145,463)</b>	<b>112,837</b>
<b>Other Financing Sources</b>			
Transfer from other funds	258,300	245,000	(13,300)
<b>Total other financing sources</b>	<b>258,300</b>	<b>245,000</b>	<b>(13,300)</b>
<b>Revenues and other financing sources over expenditures</b>	<b>\$ -</b>	<b>\$ 99,537</b>	<b>\$ 99,537</b>

Reconciliation of modified accrual basis to full accrual basis:

Revenues and other financing uses over expenditures	\$ 99,537
Decrease in debt interest accrued	801
Increase in accrued vacation pay	(3,277)
Depreciation	(305,020)
Principal on debt	171,032
Capital contributions in water project fund	3,618
Interest income from water project fund	2,028
<b>Change in net assets, full accrual basis</b>	<b>\$ (31,281)</b>

Carteret County, North Carolina

Highway 101 Phase II Water Project Fund

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)  
From Inception and for the Year Ended June 30, 2012

	Total Project Estimate	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues</b>				
Intergovernmental:				
Rural Center Grant	\$ 670,000	\$ 420,000	\$ -	\$ 420,000
USDA Grant	1,515,000	-	-	-
Sales tax refund	-	-	3,618	3,618
Interest	-	17	2,028	2,045
	<b>2,185,000</b>	<b>420,017</b>	<b>5,646</b>	<b>425,663</b>
<b>Expenditures</b>				
Engineering and other	72,500	101,799	45,057	146,856
Land	120,000	152,310	-	152,310
Capital outlay	3,294,500	1,314,420	1,414,252	2,728,672
	<b>3,487,000</b>	<b>1,568,529</b>	<b>1,459,309</b>	<b>3,027,838</b>
<b>Revenues under expenditures</b>	<b>(1,302,000)</b>	<b>(1,148,512)</b>	<b>(1,453,663)</b>	<b>(2,602,175)</b>
<b>Other financing sources (uses)</b>				
Transfer from General Fund	40,000	40,000	-	40,000
Revenue Bond Anticipation Note	1,046,000	1,046,000	1,046,000	2,092,000
USDA Loan Proceeds	1,046,000	-	-	-
Loan Proceeds	236,000	-	-	-
Debt service principal retirement	(1,046,000)	-	(1,046,000)	(1,046,000)
Debt service interest	(20,000)	-	(10,983)	(10,983)
<b>Total other financing sources (uses)</b>	<b>1,302,000</b>	<b>1,086,000</b>	<b>(10,983)</b>	<b>1,075,017</b>
<b>Revenues and other financing sources under expenditures</b>	<b>\$ -</b>	<b>\$ (62,512)</b>	<b>\$ (1,464,646)</b>	<b>\$ (1,527,158)</b>



Carteret County, North Carolina

Agency Funds

Combining Balance Sheet

June 30, 2012

	Sheriff's Department Fund	Social Services Trust Fund	Motor Vehicle Agency	Deed of Trust Agency	Cooperative Extension Agency	Totals
<b>Assets</b>						
Cash	\$ 45,353	\$ 27,547	\$ 1,295	\$ 6,882	\$ 32,774	\$ 113,851
<b>Liabilities</b>						
Accounts payable and accrued liabilities	\$ 45,353	\$ 27,547	\$ 1,295	\$ 6,882	\$ 32,774	\$ 113,851

**Carteret County, North Carolina**

**Agency Funds**

**Combining Statement of Changes in Assets and Liabilities  
Year Ended June 30, 2012**

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<b>Sheriff's Department Fund:</b>				
Assets, cash	\$ 37,428	\$ 350,190	\$ 342,265	\$ 45,353
Liabilities	\$ 37,428	\$ 350,190	\$ 342,265	\$ 45,353
<b>Social Services Trust Fund:</b>				
Assets, cash	\$ 27,522	\$ 126,732	\$ 126,707	\$ 27,547
Liabilities	\$ 27,522	\$ 126,732	\$ 126,707	\$ 27,547
<b>Motor Vehicle Agency:</b>				
Assets, cash	\$ 1,137	\$ 16,694	\$ 16,536	\$ 1,295
Liabilities	\$ 1,137	\$ 16,694	\$ 16,536	\$ 1,295
<b>Deed of Trust Agency:</b>				
Assets, cash	\$ 1,275	\$ 62,498	\$ 56,891	\$ 6,882
Liabilities	\$ 1,275	\$ 62,498	\$ 56,891	\$ 6,882
<b>Cooperative Extension Agency:</b>				
Assets, cash	\$ -	\$ 35,291	\$ 2,517	\$ 32,774
Liabilities	\$ -	\$ 35,291	\$ 2,517	\$ 32,774
<b>Totals - All Agency Funds:</b>				
Assets, cash	\$ 67,362	\$ 591,405	\$ 544,916	\$ 113,851
Liabilities:				
Accounts payable and accrued liabilities	\$ 67,362	\$ 591,405	\$ 544,916	\$ 113,851





**Carteret County, North Carolina**

**Capital Assets Used in the Operation of Governmental Funds**

**Comparative Schedules by Source**

**June 30, 2012**

	<b>2012</b>	<b>2011</b>
Governmental funds capital assets:		
Land, airport	\$ 169,549	\$ 169,549
Land, other	5,412,812	5,107,647
Construction in progress	34,380	18,934
Buildings	27,485,901	27,349,801
Vehicles	4,825,922	4,687,794
Equipment	6,614,883	6,003,322
Airport facilities	1,524,747	1,524,747
Other improvements	9,528,132	9,293,897
Leasehold improvements	2,590,428	2,590,428
<b>Total governmental funds capital assets</b>	<b>\$ 58,186,754</b>	<b>\$ 56,746,119</b>
Investment in governmental funds capital assets		
General Fund	\$ 52,891,785	\$ 51,836,477
Capital Project Funds	5,294,969	4,909,642
<b>Total investment in governmental funds capital assets</b>	<b>\$ 58,186,754</b>	<b>\$ 56,746,119</b>

Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity  
June 30, 2012

Function and Activity	Land	Buildings	Vehicles	Equipment
General Government:				
County Administration	\$ -	\$ -	\$ -	\$ 18,880
Tax Administration	178,381	136,100	86,737	273,584
Register of Deeds	-	17,665	-	263,765
Elections	-	-	-	505,242
Information Technology	-	-	-	755,975
Public Buildings	1,518,914	7,554,613	197,736	18,230
Other	-	-	-	22,259
<b>Total General Government</b>	<b>1,697,295</b>	<b>7,708,378</b>	<b>284,473</b>	<b>1,857,935</b>
Public Safety:				
Law Enforcement	417,991	8,614,309	1,413,884	330,469
Emergency Services	43,000	16,850	368,871	3,192,572
<b>Total Public Safety</b>	<b>460,991</b>	<b>8,631,159</b>	<b>1,782,755</b>	<b>3,523,041</b>
Transportation	169,549	-	824,980	-
Environmental Protection	153,875	64,308	675,252	318,722
Economic and Physical Development	111,178	-	149,216	125,530
Human Services	303,776	7,248,928	843,570	486,021
Culture and Recreation	2,685,697	3,833,128	265,676	303,634
<b>Total governmental funds capital assets</b>	<b>\$ 5,582,361</b>	<b>\$ 27,485,901</b>	<b>\$ 4,825,922</b>	<b>\$ 6,614,883</b>

Airport Facilities	Other Improvements	Leasehold Improvements	Construction in Progress	Total
\$ -	\$ -	\$ -	\$ -	\$ 18,880
-	-	-	-	674,802
-	16,000	-	-	297,430
-	-	-	-	505,242
-	116,944	-	-	872,919
-	2,054,285	-	-	11,343,778
-	-	-	-	22,259
-	2,187,229	-	-	13,735,310
-	589,491	-	-	11,366,144
-	-	1,108,727	-	4,730,020
-	589,491	1,108,727	-	16,096,164
1,524,747	41,142	-	-	2,560,418
-	-	-	-	1,212,157
-	-	-	-	385,924
-	30,000	-	-	8,912,295
-	6,680,270	1,481,701	34,380	15,284,486
\$ 1,524,747	\$ 9,528,132	\$ 2,590,428	\$ 34,380	\$ 58,186,754

**Carteret County, North Carolina**

**Capital Assets Used in the Operation of Governmental Funds**

**Schedule of Changes by Function and Activity  
Year Ended June 30, 2012**

<b>Function and Activity</b>	Governmental Funds Capital Assets June 30, 2011	<b>Additions</b>	<b>Deductions</b>	<b>Transfers</b>	Governmental Funds Capital Assets June 30, 2012
General Government:					
County administration	\$ 18,880	\$ -	\$ -	\$ -	\$ 18,880
Tax administration	367,944	314,149	7,291	-	674,802
Register of Deeds	297,430	-	-	-	297,430
Elections	505,242	-	-	-	505,242
Information technology	795,494	162,925	85,500	-	872,919
Public buildings	11,358,218	-	-	(14,440)	11,343,778
Other	22,259	-	-	-	22,259
<b>Total General Government</b>	<b>13,365,467</b>	<b>477,074</b>	<b>92,791</b>	<b>(14,440)</b>	<b>13,735,310</b>
Public Safety:					
Law enforcement	11,291,247	156,432	21,286	(60,249)	11,366,144
Emergency services	4,523,577	225,835	-	(19,392)	4,730,020
<b>Total Public Safety</b>	<b>15,814,824</b>	<b>382,267</b>	<b>21,286</b>	<b>(79,641)</b>	<b>16,096,164</b>
Transportation	2,697,472	1,404,021	1,404,021	(137,054)	2,560,418
Environmental protection	966,107	37,725	22,810	231,135	1,212,157
Economic and physical development	374,839	27,600	-	(16,515)	385,924
Human services	8,635,439	260,341	-	16,515	8,912,295
Culture and recreation	14,891,971	411,449	18,934	-	15,284,486
<b>Total governmental funds capital assets</b>	<b>\$ 56,746,119</b>	<b>\$ 3,000,477</b>	<b>\$ 1,559,842</b>	<b>\$ -</b>	<b>\$ 58,186,754</b>

## **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, 2012

Fiscal Year	Uncollected Balance June 30, 2011	Additions	Collections	Adjustments	Uncollected Balance June 30, 2012
2011-2012	\$ -	\$ 45,203,707	\$ 43,758,543	\$ (122,866)	\$ 1,322,298
2010-2011	1,318,144	-	726,411	6,924	598,657
2009-2010	620,212	-	229,902	(18,686)	371,624
2008-2009	340,431	-	115,756	8,294	232,969
2007-2008	163,640	-	43,141	9,556	130,055
2006-2007	163,996	-	15,023	17,911	166,884
2005-2006	106,127	-	6,399	1,230	100,958
2004-2005	42,511	-	4,140	617	38,988
2003-2004	39,335	-	2,761	817	37,391
2002-2003	31,739	-	1,613	(21,527)	8,599
2001-2002	24,290	-	-	-	24,290
	<u>\$ 2,850,425</u>	<u>\$ 45,203,707</u>	<u>\$ 44,903,689</u>	<u>\$ (117,730)</u>	<u>3,032,713</u>
Less write-off 2001-2002 tax year					<u>(24,290)</u>
					<u>3,008,423</u>
Less allowance for uncollectible ad valorem taxes receivable					<u>355,204</u>
<b>Net property taxes receivable - General Fund</b>					<u><u>\$ 2,653,219</u></u>
Reconcilement with revenue: Ad valorem taxes - General Fund					<u><u>\$ 44,903,689</u></u>

Carteret County, North Carolina

Analysis of Current Year's Tax Levy  
Year Ended June 30, 2012

	County Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 14,919,518,333	0.30	\$ 44,758,555	\$ 43,676,788	\$ 1,081,767
Motor vehicles taxes at prior year's rate	193,544,348	0.23	445,152	-	445,152
<b>Total</b>	<b>15,113,062,681</b>		<b>45,203,707</b>	<b>43,676,788</b>	<b>1,526,919</b>
Discoveries:					
Current year taxes	22,819,667		68,459	60,046	8,413
Corrections	8,529,000		25,587	8,426	17,161
<b>Total</b>	<b>31,348,667</b>		<b>94,046</b>	<b>68,472</b>	<b>25,574</b>
Abatements	(72,304,000)		(216,912)	(151,423)	(65,489)
<b>Total property valuation</b>	<b>\$ 15,072,107,348</b>				
Net levy-General Fund			45,080,841	43,593,837	1,487,004
Uncollected taxes at June 30, 2012 - General Fund			1,322,298	1,115,530	206,768
Current year's taxes collected - General Fund			\$ 43,758,543	\$ 42,478,307	\$ 1,280,236
Current levy collection percentage - General Fund			97.07%	97.44%	86.09%





## Statistical Section (Unaudited)

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

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b>	<b>140</b>
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>154</b>
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>166</b>
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>173</b>
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>179</b>
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	

**Sources:** Unless otherwise noted, the information included in these schedules and charts is derived for the comprehensive annual reports ("CAFR") for GASB 34 in the fiscal year ending June 30, 2012 and is provided for additional analysis purposes only and has not been verified by audit as presented.

Carteret County, North Carolina

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

	2003	2004	2005	2006
<b>Governmental activities</b>				
Invested in capital assets, net of related debt	\$ 18,490,399	\$ 22,154,331	\$ 21,956,051	\$ 23,399,525
Restricted	1,904,375	2,568,301	3,437,892	4,154,799
Unrestricted	(23,228,517)	(29,121,252)	(21,493,929)	(13,945,342)
<b>Total governmental activities net assets</b>	<b>\$ (2,833,743)</b>	<b>\$ (4,398,620)</b>	<b>\$ 3,900,014</b>	<b>\$ 13,608,982</b>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	\$ 4,033,446	\$ 4,392,900	\$ 3,903,915	\$ 3,630,795
Unrestricted	(11,676)	(519,099)	(110,733)	192,739
<b>Total business-type activities</b>	<b>\$ 4,021,770</b>	<b>\$ 3,873,801</b>	<b>\$ 3,793,182</b>	<b>\$ 3,823,534</b>
<b>Primary government</b>				
Invested in capital assets, net of related debt	\$ 22,523,845	\$ 26,547,231	\$ 25,859,966	\$ 27,030,320
Restricted	1,904,375	2,568,301	3,437,892	4,154,799
Unrestricted	(23,240,193)	(29,640,351)	(21,604,662)	(13,752,603)
<b>Total primary government net assets</b>	<b>\$ 1,188,027</b>	<b>\$ (524,819)</b>	<b>\$ 7,693,196</b>	<b>\$ 17,432,516</b>

Schedule 1

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 22,287,747	\$ 21,792,965	\$ 22,484,382	\$ 24,050,669	\$ 26,022,027	\$ 26,469,612
7,127,547	10,233,675	13,043,008	15,431,921	24,524,242	24,685,705
(12,037,832)	(24,226,402)	(28,471,360)	(32,695,396)	(41,158,484)	(33,049,640)
<b>\$ 17,377,462</b>	<b>\$ 7,800,238</b>	<b>\$ 7,056,030</b>	<b>\$ 6,787,194</b>	<b>\$ 9,387,785</b>	<b>\$ 18,105,677</b>
\$ 3,665,231	\$ 3,557,690	\$ 3,634,160	\$ 4,098,772	\$ 4,079,804	\$ 5,416,107
392,417	548,951	553,518	190,973	516,359	(851,225)
<b>\$ 4,057,648</b>	<b>\$ 4,106,641</b>	<b>\$ 4,187,678</b>	<b>\$ 4,289,745</b>	<b>\$ 4,596,163</b>	<b>\$ 4,564,882</b>
\$ 25,952,978	\$ 25,350,655	\$ 26,118,542	\$ 28,149,441	\$ 30,101,831	\$ 31,885,719
7,127,547	10,233,675	13,043,008	15,431,921	24,524,242	24,685,705
(11,645,415)	(23,677,451)	(27,917,842)	(32,504,423)	(40,642,125)	(33,900,865)
<b>\$ 21,435,110</b>	<b>\$ 11,906,879</b>	<b>\$ 11,243,708</b>	<b>\$ 11,076,939</b>	<b>\$ 13,983,948</b>	<b>\$ 22,670,559</b>

**Carteret County, North Carolina**

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

	2003	2004	2005	2006
<b>Expenses</b>				
Governmental activities:				
General government	\$ 4,734,358	\$ 3,700,481	\$ 4,759,100	\$ 4,996,540
Public safety	11,051,063	11,636,799	12,715,313	13,459,003
Transportation	641,203	669,794	690,254	710,225
Economic and physical development	3,861,247	4,271,109	6,274,478	5,571,720
Environmental protection	2,443,323	2,964,017	2,565,112	3,362,113
Human Services	13,651,297	14,105,489	14,295,871	14,971,013
Cultural and recreation	2,056,136	4,260,435	2,461,256	2,910,221
Education	23,378,135	27,615,077	21,085,306	21,224,743
Interest on long term debt	2,415,433	3,153,395	2,373,932	2,281,034
<b>Total governmental activities</b>	<b>64,232,195</b>	<b>72,376,596</b>	<b>67,220,622</b>	<b>69,486,612</b>
Business-type activities:				
Water	145,753	394,360	420,599	607,483
<b>Total primary government expenses</b>	<b>\$ 64,377,948</b>	<b>\$ 72,770,956</b>	<b>\$ 67,641,221</b>	<b>\$ 70,094,095</b>

(Continued)

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 6,133,328	\$ 6,254,064	\$ 6,558,268	\$ 6,369,989	\$ 6,290,765	\$ 5,926,629
14,263,740	16,381,281	16,599,129	16,919,404	19,094,741	17,566,816
979,342	892,718	858,784	907,113	1,107,365	1,288,106
5,543,270	4,848,724	5,207,919	4,469,445	4,925,627	6,917,827
2,916,754	2,914,590	3,105,363	3,130,735	3,274,042	4,032,723
15,939,574	16,656,957	16,302,247	15,071,578	15,713,990	15,880,099
2,990,410	3,355,687	3,182,526	4,198,808	2,108,234	3,469,307
30,048,298	47,189,262	35,465,104	31,982,375	28,623,466	25,368,980
2,934,102	3,690,063	3,493,485	3,197,911	3,087,406	2,794,930
81,748,818	102,183,346	90,772,825	86,247,358	84,225,636	83,245,417
728,319	813,171	934,919	798,432	849,324	815,298
\$ 82,477,137	\$ 102,996,517	\$ 91,707,744	\$ 87,045,790	\$ 85,074,960	\$ 84,060,715

**Carteret County, North Carolina**

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

	2003	2004	2005	2006
<b>Program Revenues</b>				
Governmental activities				
Charges for services:				
General government	\$ 1,421,229	\$ 1,753,299	\$ 2,480,824	\$ 3,328,301
Public safety	588,953	1,017,748	314,680	227,728
Transportation	88,588	86,426	74,164	86,527
Economic and physical development	6,559	9,323	659,399	832,350
Environmental protection	1,257,955	1,279,272	1,305,582	2,136,283
Human services	307,258	476,032	417,154	557,621
Cultural and recreation	220,637	181,048	220,576	238,638
Interest on long term debt	33,874	-	-	-
Operating grants and contributions:				
General government	-	-	436,969	234,518
Public safety	641,546	429,368	644,075	795,183
Transportation	93,805	181,118	154,036	268,667
Economic and physical development	200,055	144,564	1,966,971	256,175
Environmental protection	102,789	752,852	52,000	573,220
Human services	6,548,733	6,617,017	7,115,185	6,975,699
Cultural and recreation	-	25,893	17,675	-
Education	131,162	416,606	470,259	506,611
Interest on long term debt	-	-	-	-
Capital grants and contributions:				
Public safety	-	-	-	191,221
Transportation	81,000	96,365	-	143,313
Economic and physical development	194,622	2,203,754	-	508,607
Human services	9,796	-	-	-
Cultural and recreation	(6,528)	-	-	48,641
Education	-	-	-	-
<b>Total governmental activities program revenues</b>	<b>11,922,033</b>	<b>15,670,685</b>	<b>16,329,549</b>	<b>17,909,303</b>

(Continued)

Fiscal Year		2007	2008	2009	2010	2011	2012				
\$	2,136,825	\$	1,917,552	\$	1,561,770	\$	1,477,628	\$	1,486,751	\$	1,642,152
	197,975		232,885		174,213		162,804		186,134		173,546
	93,686		86,039		95,664		125,360		327,244		225,239
	909,245		650,171		414,507		435,466		511,550		575,489
	2,209,037		2,229,849		2,247,269		2,243,091		2,214,925		2,189,986
	616,532		564,816		415,474		382,602		330,817		346,126
	287,314		222,019		203,376		213,789		238,376		277,774
	-		-		-		-		-		-
	375,440		52,670		68,319		38,218		-		5,465
	414,350		736,971		1,408,259		1,264,069		1,725,254		1,438,146
	377,847		315,952		389,394		403,443		162,064		352,943
	1,394,075		82,939		848,310		665,788		129,447		889,989
	-		342,511		16,114		22,176		15,542		859,246
	7,595,165		8,637,735		8,402,963		8,494,321		9,274,540		9,074,506
	1,680		1,165		-		7,365		3,242		405
	160,871		290,335		136,401		148,415		255,946		53,241
	850,000		850,000		1,377,380		700,000		800,000		988,351
	-		-		-		-		57,660		26,169
	-		63,694		-		-		251,957		2,400
	-		-		158,668		-		-		354,984
	-		-		-		-		-		-
	-		-		1,134,485		236,993		194,693		111,784
	-		-		387,070		-		-		87,984
	17,620,042		17,277,303		19,439,636		17,021,528		18,166,142		19,675,925



**Carteret County, North Carolina**

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

	2003	2004	2005	2006
<b>Business-type activities:</b>				
Charge for services - Water	\$ 58,254	\$ 147,314	\$ 264,634	\$ 361,888
Operating Grants and Contributions	-	28,476	-	-
Capital grants and contributions - Water	1,686,890	-	925	-
<b>Total business-type activities program revenues</b>	<b>1,745,144</b>	<b>175,790</b>	<b>265,559</b>	<b>361,888</b>
<b>Total primary government program revenues</b>	<b>\$ 13,667,177</b>	<b>\$ 15,846,475</b>	<b>\$ 16,595,108</b>	<b>\$ 18,271,191</b>
Governmental activities	\$ (52,310,162)	\$ (56,705,911)	\$ (50,891,073)	\$ (51,577,309)
Business-type activities	1,599,391	(218,570)	(155,040)	(245,595)
<b>Total primary government net (expense)/revenue</b>	<b>\$ (50,710,771)</b>	<b>\$ (56,924,481)</b>	<b>\$ (51,046,113)</b>	<b>\$ (51,822,904)</b>
<b>General Revenues and Other Changes in Net Assets</b>				
<b>Governmental activities:</b>				
Property taxes	\$ 34,170,397	\$ 36,025,572	\$ 37,240,867	\$ 38,994,213
Local option sales tax	10,824,267	13,105,353	14,334,170	14,303,322
Other taxes and licenses	4,609,531	3,862,177	4,494,502	6,730,679
Intergovernmental	401,097	503,661	155,208	164,954
Investment earnings	447,847	266,890	612,987	1,302,511
Miscellaneous	457,850	311,959	2,422,594	1,538
Transfers	(48,000)	(70,000)	(70,621)	(210,940)
<b>Total governmental activities</b>	<b>50,862,989</b>	<b>54,005,612</b>	<b>59,189,707</b>	<b>61,286,277</b>
<b>Business-type activities:</b>				
Investment earnings	418	601	3,800	8,924
Intergovernmental, unrestricted	-	-	-	56,084
Transfers	48,000	70,000	70,621	210,940
<b>Total business-type activities</b>	<b>48,418</b>	<b>70,601</b>	<b>74,421</b>	<b>275,948</b>
<b>Total primary government</b>	<b>\$ 50,911,407</b>	<b>\$ 54,076,213</b>	<b>\$ 59,264,128</b>	<b>\$ 61,562,225</b>
<b>Change in Net Assets</b>				
Governmental activities	\$ (1,447,173)	\$ (2,700,299)	\$ 8,298,634	\$ 9,708,968
Business-type activities	1,647,809	(147,969)	(80,619)	30,353
<b>Total primary government</b>	<b>\$ 200,636</b>	<b>\$ (2,848,268)</b>	<b>\$ 8,218,015</b>	<b>\$ 9,739,321</b>

Fiscal Year									
2007	2008	2009	2010	2011	2012				
\$ 493,342	\$ 550,256	\$ 573,359	\$ 564,172	\$ 457,668	\$ 526,067				
-	-	-	-	-	-				
146,065	-	167,757	115,605	384,395	3,618				
639,407	550,256	741,116	679,777	842,063	529,685				
\$ 18,259,449	\$ 17,827,559	\$ 20,180,752	\$ 17,701,305	\$ 19,008,205	\$ 20,205,610				
\$ (64,128,776)	\$ (84,906,043)	\$ (71,333,189)	\$ (69,225,830)	\$ (66,059,494)	\$ (63,569,492)				
(88,912)	(262,915)	(193,803)	(118,655)	(7,261)	(285,613)				
\$ (64,217,688)	\$ (85,168,958)	\$ (71,526,992)	\$ (69,344,485)	\$ (66,066,755)	\$ (63,855,105)				
\$ 42,377,566	\$ 48,592,344	\$ 50,175,809	\$ 50,528,632	\$ 51,159,340	\$ 51,442,461				
16,794,865	17,531,935	14,210,399	12,277,230	12,051,519	12,895,813				
5,276,663	5,415,909	4,542,881	4,398,904	4,595,602	4,748,326				
397,918	665,684	263,104	462,860	677,029	780,738				
3,196,255	3,310,752	1,593,849	790,705	401,788	539,146				
142,989	90,195	60,939	703,663	79,807	2,125,900				
(289,000)	(278,000)	(258,000)	(205,000)	(305,000)	(245,000)				
67,897,256	75,328,819	70,588,981	68,956,994	68,660,085	72,287,384				
23,451	33,908	16,840	15,722	8,679	9,332				
10,574	-	-	-	-	-				
289,000	278,000	258,000	205,000	305,000	245,000				
323,025	311,908	274,840	220,722	313,679	254,332				
\$ 68,220,281	\$ 75,640,727	\$ 70,863,821	\$ 69,177,716	\$ 68,973,764	\$ 72,541,716				
\$ 3,768,480	\$ (9,577,224)	\$ (744,208)	\$ (268,836)	\$ 2,600,591	\$ 8,717,892				
234,113	48,993	81,037	102,067	306,418	(31,281)				
\$ 4,002,593	\$ (9,528,231)	\$ (663,171)	\$ (166,769)	\$ 2,907,009	\$ 8,686,611				

**Carteret County, North Carolina**

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

	2003	2004	2005
<b>General Fund</b>			
Reserved for:			
State statute	\$ 3,597,460	\$ 4,559,818	\$ 5,407,652
Prepaid items	-	-	-
Sheriff's fund	37,620	35,085	49,755
Debt Service	107,643	-	-
Recreation districts	58,047	61,462	62,739
Health programs	572,992	863,342	934,948
Register of deeds	132,889	167,528	113,478
Beach nourishment	502,684	890,063	1,340,869
<b>Total reserve</b>	<b>5,009,335</b>	<b>6,577,298</b>	<b>7,909,441</b>
Unreserved:			
Designated for subsequent year's expenditures	659,590	694,536	1,230,000
Undesignated	9,809,415	12,054,667	14,115,874
<b>Total General Fund</b>	<b>\$ 15,478,340</b>	<b>\$ 19,326,501</b>	<b>\$ 23,255,315</b>
<b>All Other Governmental Funds</b>			
Reserved for:			
State statute	\$ 952,829	\$ 1,015,324	\$ 1,301,271
E911 wireless	-	-	-
Special districts	-	-	-
	952,829	1,015,324	1,301,271
Unreserved:			
Designated for subsequent year's expenditures	11,696,201	3,142,539	310,643
Undesignated special revenue funds	(551,173)	(672,314)	(740,779)
Undesignated capital projects funds	1,397,660	1,681,975	1,883,349
<b>Total all other governmental funds</b>	<b>\$ 13,495,517</b>	<b>\$ 5,167,524</b>	<b>\$ 2,754,484</b>

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

Fiscal Year				
2006	2007	2008	2009	2010
\$ 5,245,544	\$ 5,441,376	\$ 6,058,268	\$ 6,537,961	\$ 5,668,864
-	-	92,056	-	-
24,161	39,116	61,376	120,361	84,052
-	-	-	-	-
55,053	88,593	88,665	89,129	89,129
1,081,508	1,177,309	1,135,530	973,892	907,160
190,045	251,440	293,368	325,898	274,802
2,040,923	4,023,290	5,996,954	7,665,277	9,550,285
8,637,234	11,021,124	13,726,217	15,712,518	16,574,292
825,000	155,000	720,000	-	307,505
18,814,243	21,917,920	23,152,988	23,791,470	25,445,763
<u>\$ 28,276,477</u>	<u>\$ 33,094,044</u>	<u>\$ 37,599,205</u>	<u>\$ 39,503,988</u>	<u>\$ 42,327,560</u>
-	-	-	-	-
-	741,702	-	-	-
-	410,542	1,147,999	1,809,004	2,430,758
-	1,152,244	1,147,999	1,809,004	2,430,758
22,877,167	36,035,398	19,382,507	12,882,665	1,906,995
614,664	371,947	1,006,822	1,405,876	948,533
1,418,615	3,650,440	4,891,288	3,473,937	4,280,372
<u>\$ 24,910,446</u>	<u>\$ 41,210,029</u>	<u>\$ 26,428,616</u>	<u>\$ 19,571,482</u>	<u>\$ 9,566,658</u>



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

	Fiscal Year	
	2011	2012
<b>General Fund</b>		
Restricted:		
Stabilization by state statute	\$ 8,696,639	\$ 7,544,942
Sheriff's fund	264,217	277,168
Recreation districts	94,790	102,739
Health programs	931,719	919,286
Register of deeds	311,834	341,557
Beach nourishment	10,455,564	11,102,845
<b>Total restricted</b>	<b>20,754,763</b>	<b>20,288,537</b>
Assigned:		
Subsequent year's expenditures	908,485	1,441,215
Unassigned:	21,762,773	25,101,604
<b>Total General Fund</b>	<b>\$ 43,426,021</b>	<b>\$ 46,831,356</b>
<b>All Other Governmental Funds</b>		
Restricted:		
Public safety	\$ 401,499	\$ 594,250
Rescue protection	1,150,690	1,386,031
Fire protection	1,734,943	2,002,963
School capital	2,735,522	1,958,941
Economic development	751,509	896,556
<b>Total restricted</b>	<b>6,774,163</b>	<b>6,838,741</b>
Committed:		
Economic development	721,756	728,994
School capital	432,914	543,229
Assigned:		
Subsequent year's expenditures	161,271	101,360
County capital	1,675,102	1,308,319
Unassigned:		
Special revenue funds	(680,935)	(786,060)
Capital projects funds	-	-
<b>Total all other governmental funds</b>	<b>\$ 9,084,271</b>	<b>\$ 8,734,583</b>

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

**Carteret County, North Carolina**

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

	2003	2004	2005	2006
<b>Revenues</b>				
Taxes:				
Property	\$ 34,856,263	\$ 36,273,316	\$ 37,171,758	\$ 38,995,144
Sales and other taxes	15,582,901	17,090,746	18,828,672	21,034,001
<b>Total taxes</b>	<b>50,439,164</b>	<b>53,364,062</b>	<b>56,000,430</b>	<b>60,029,145</b>
Permits and fees	2,111,540	2,618,847	3,093,945	4,164,371
Intergovernmental	8,436,038	11,673,902	11,337,622	10,666,809
Sales and services	1,784,053	1,862,663	1,742,529	2,589,990
Interest	481,721	266,890	612,987	1,302,510
Miscellaneous	308,426	223,359	379,277	698,189
<b>Total revenues</b>	<b>63,560,942</b>	<b>70,009,723</b>	<b>73,166,790</b>	<b>79,451,014</b>
<b>Expenditures</b>				
General government	3,331,803	3,438,530	4,190,354	4,898,195
Public safety	10,528,723	11,294,641	12,472,725	13,422,324
Transportation	452,826	579,790	493,593	736,491
Environmental protection	2,434,842	2,958,295	2,744,907	3,404,122
Economic development	3,989,727	4,238,767	4,815,319	5,585,495
Human services	13,551,316	13,719,420	14,094,168	14,659,109
Culture and recreation	2,029,285	2,007,580	2,240,196	2,548,009
Education	17,738,085	17,976,423	18,699,023	18,870,730
Capital outlay	7,535,298	12,112,063	5,161,345	3,836,951
Debt service:				
Principal	8,558,910	4,706,571	4,316,572	4,175,000
Interest	3,020,159	2,659,162	2,352,193	2,161,065
<b>Total expenditures</b>	<b>73,170,974</b>	<b>75,691,242</b>	<b>71,580,395</b>	<b>74,297,491</b>
<b>Excess (deficiency) of of revenues over (under) expenditures</b>	<b>(9,610,032)</b>	<b>(5,681,519)</b>	<b>1,586,395</b>	<b>5,153,523</b>
Other financing sources (uses):				
Transfers in	1,712,779	3,415,367	2,539,943	4,477,917
Transfers out	(1,760,779)	(3,485,367)	(2,610,564)	(4,688,857)
Proceeds from sale of capital assets	-	-	-	-
Bond premium	-	-	-	365,126
Bonds issued	20,248,383	-	-	22,000,000
Refunding bonds issued	-	21,215,898	-	-
Payment to refunding escrow agent	-	(21,079,633)	-	-
Proceeds from installment note	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>20,200,383</b>	<b>66,265</b>	<b>(70,621)</b>	<b>22,154,186</b>
<b>Net change in fund balance</b>	<b>\$ 10,590,351</b>	<b>\$ (5,615,254)</b>	<b>\$ 1,515,774</b>	<b>\$ 27,307,709</b>
Debt service as a percentage of noncapital expenditures	16.37%	9.85%	9.54%	8.91%

Schedule 4

	2007	2008	2009	2010	2011	2012
\$	42,487,337	\$ 48,720,636	\$ 49,678,930	\$ 50,200,352	\$ 50,519,817	\$ 51,069,950
	22,071,528	22,947,844	18,753,280	16,676,134	16,647,121	17,644,139
	64,558,865	71,668,480	68,432,210	66,876,486	67,166,938	68,714,089
	3,633,685	3,079,055	2,484,066	2,355,405	2,407,908	2,590,236
	11,567,346	12,039,656	14,544,225	12,341,283	13,642,310	15,026,351
	2,566,066	2,650,004	2,605,889	2,681,926	2,710,406	2,840,076
	3,196,255	3,310,752	1,593,849	790,705	401,788	539,146
	350,904	267,994	149,586	156,290	164,968	211,118
	85,873,121	93,015,941	89,809,825	85,202,095	86,494,318	89,921,016
	5,312,246	5,745,169	5,821,968	5,852,801	5,710,894	5,402,432
	13,947,141	16,132,558	16,424,222	16,291,686	18,135,931	16,863,612
	847,387	858,646	941,321	781,852	952,210	1,159,848
	2,891,843	2,900,884	3,070,121	3,104,110	3,189,081	4,014,786
	4,334,443	4,959,166	5,189,267	4,441,078	4,889,167	6,862,298
	15,696,967	16,391,072	15,774,335	14,618,041	15,221,814	15,598,191
	2,737,147	3,013,274	2,685,231	2,632,473	1,590,158	2,774,024
	20,196,594	21,556,439	22,851,145	21,888,541	28,623,466	22,306,178
	11,289,414	26,052,502	15,564,833	13,242,438	3,505,755	3,689,741
	4,785,000	5,922,857	13,243,078	6,217,427	6,465,073	6,615,517
	2,954,302	3,568,542	4,077,579	3,188,650	2,943,555	2,883,139
	84,992,484	107,101,109	105,643,100	92,259,097	91,227,104	88,169,766
	880,637	(14,085,168)	(15,833,275)	(7,057,002)	(4,732,786)	1,751,250
	6,502,225	9,407,194	4,652,822	4,567,901	4,773,110	4,218,376
	(6,791,225)	(9,408,499)	(4,910,822)	(4,772,901)	(5,078,110)	(4,463,376)
	-	-	-	80,750	5,653,860	1,531,514
	94,928	-	-	-	-	-
	20,300,000	-	-	-	-	-
	-	-	-	-	-	10,029,942
	-	-	-	-	-	(10,012,059)
	-	3,810,221	11,138,924	-	-	-
	20,105,928	3,808,916	10,880,924	(124,250)	5,348,860	1,304,397
\$	20,986,565	\$ (10,276,252)	\$ (4,952,351)	\$ (7,181,252)	\$ 616,074	\$ 3,055,647
	9.18%	8.96%	17.02%	10.53%	10.73%	10.92%



**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)	
2003 <sup>(1)</sup>	\$ 5,778,763,348	\$ 702,452,708	\$ 11,382,044	\$ 45,411,773	\$ 6,538,009,873
2004 <sup>(5)</sup>	6,842,280,986	-	-	-	6,842,280,986
2005	6,295,378,065	669,099,255	12,308,209	41,848,004	7,018,633,533
2006	6,414,514,407	712,215,743	22,227,041	40,978,359	7,189,935,550
2007	5,993,578,505	1,675,786,250	246,148,708	42,108,553	7,957,622,016
2008 <sup>(6)</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>(6)</sup>	<b>12,615,264,192</b>	<b>1,271,552,597</b>	<b>27,011,645</b>	<b>68,607,085</b>	<b>13,982,435,519</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) Breakout of real property is unavailable
- (6) Revaluation Years

**Schedule 5**

Personal Property	Public Service Companies (2)	Total Assessed Valuation	Total Direct Tax Rate (3)	Estimated Actual Taxable Value (4)
\$ 731,270,275	\$ 97,130,761	\$ 7,366,410,909	0.42	\$ 7,833,274,042
711,166,262	99,064,090	7,652,511,338	0.42	8,277,459,533
747,563,922	99,766,355	7,865,963,810	0.42	9,081,001,859
915,126,779	84,739,347	8,189,801,676	0.42	10,528,090,598
572,630,759	88,997,177	8,619,249,952	0.44	14,260,837,114
953,369,547	126,877,222	18,620,488,670	0.23	18,923,260,843
473,475,911	135,389,122	19,028,825,652	0.23	17,778,631,807
847,540,430	143,635,821	19,154,428,262	0.23	16,731,393,087
935,669,710	140,251,857	19,287,665,218	0.23	15,091,511,700
<b>952,555,055</b>	<b>137,116,774</b>	<b>15,072,107,348</b>	<b>0.30</b>	<b>15,072,107,348</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
		Operating Mileage	Special Districts	
2003	0.4200	2.2950	3.2525	5.9675
2004	0.4200	2.2950	3.7600	6.4750
2005	0.4200	2.2350	3.5025	6.1575
2006	0.4200	2.2350	3.3175	5.9725
2007	0.4400	2.2350	4.3225	6.9975
2008	0.2300	1.3420	1.8121	3.3841
2009	0.2300	1.4550	1.8040	3.4890
2010	0.2300	1.4950	1.9090	3.6340
2011	0.2300	1.5400	1.9640	3.7340
<b>2012</b>	<b>0.3000</b>	<b>1.8880</b>	<b>2.0560</b>	<b>4.2440</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**

	2003	2004	2005	2006
<b>Carteret County</b>	0.4200	0.4200	0.4200	0.4200
<b>Municipalities</b>				
Atlantic Beach	0.2300	0.2300	0.2300	0.2300
Beaufort	0.3600	0.3600	0.3800	0.3800
Bogue	0.0500	0.0500	0.0500	0.0500
Cape Carteret	0.2300	0.2300	0.2300	0.2300
Cedar Point	0.0500	0.0500	0.0500	0.0500
Emerald Isle	0.1850	0.1750	0.1650	0.1550
Indian Beach	0.1600	0.1600	0.0900	0.1000
Morehead City	0.3800	0.3800	0.3800	0.3800
Newport	0.4300	0.4300	0.4300	0.4300
Pelletier	0.0500	0.0500	0.0500	0.0500
Pine Knoll Shores	0.1700	0.1800	0.1800	0.1800
<b>Fire Districts</b>				
Atlantic	0.0550	0.0650	0.0650	0.0650
Beaufort	0.0600	0.0600	0.0600	0.0700
Broad & Gales Creek	0.0400	0.0400	0.0400	0.0400
Cedar Island	0.1000	0.1000	0.1000	0.1000
Davis	0.1000	0.1000	0.1000	0.1000
Harkers Island	0.0600	0.0600	0.0600	0.0600
Harlowe	0.0550	0.0550	0.0550	0.0550
Marshallberg	0.0700	0.0700	0.0700	0.0700
Mill Creek	0.0550	0.0550	0.0550	0.0550
Mitchell Village	0.0800	0.0800	0.0800	0.0800
Newport	0.0700	0.0800	0.0800	0.0800
North River	0.0750	0.0750	0.0750	0.0750
Otway	0.0400	0.0400	0.0400	0.0400
Salter Path	0.0500	0.0500	0.0500	0.0600
Sea Level	0.1000	0.1000	0.1000	0.1000
South River/ Merrimon	0.0700	0.0700	0.0700	0.0700
Stacy	0.0800	0.0800	0.0800	0.0800
Stella	0.0500	0.0500	0.0500	0.0500
Western Carteret	0.0700	0.0700	0.0700	0.0700
Wildwood	0.0800	0.0750	0.0950	0.0950

(Continued)

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Page 1 of 2

2007	2008	2009	2010	2011	2012
0.4400	0.2300	0.2300	0.2300	0.2300	<b>0.3000</b>
0.2600	0.1500	0.1250	0.1250	0.1250	<b>0.1700</b>
0.3800	0.1900	0.2200	0.2200	0.2200	<b>0.2600</b>
0.0500	0.0500	0.0500	0.0500	0.0500	<b>0.0500</b>
0.2300	0.1550	0.1550	0.1400	0.1400	<b>0.1625</b>
0.0500	0.0500	0.0500	0.0550	0.0550	<b>0.0625</b>
0.1550	0.0670	0.0700	0.0700	0.0800	<b>0.1150</b>
0.1000	0.0600	0.1100	0.1400	0.1500	<b>0.2150</b>
0.3800	0.2200	0.2200	0.2200	0.2200	<b>0.2850</b>
0.4000	0.2700	0.2900	0.3100	0.3300	<b>0.3570</b>
0.0500	0.0500	0.0500	0.0500	0.0550	<b>0.0550</b>
0.1800	0.0800	0.1150	0.1150	0.1150	<b>0.1560</b>
0.0650	0.0700	0.0700	0.0700	0.0700	<b>0.0700</b>
0.0550	0.0300	0.0350	0.0350	0.0550	<b>0.0550</b>
0.0550	0.0450	0.0450	0.0450	0.0300	<b>0.0300</b>
0.1000	0.1000	0.1000	0.1000	0.1000	<b>0.1000</b>
0.1000	0.0850	0.0900	0.0900	0.0850	<b>0.0850</b>
0.0600	0.0400	0.0400	0.0650	0.0700	<b>0.0800</b>
0.0550	0.0450	0.0450	0.0550	0.0600	<b>0.0750</b>
0.0700	0.0850	0.0850	0.0800	0.0900	<b>0.0900</b>
0.0550	0.0450	0.0450	0.0450	0.0450	<b>0.0450</b>
0.0800	0.0900	0.0750	0.0750	0.0750	<b>0.0750</b>
0.0800	0.0400	0.0700	0.0700	0.0700	<b>0.0700</b>
0.0750	0.0450	0.0450	0.0900	0.0900	<b>0.0900</b>
0.0400	0.0250	0.0500	0.0500	0.0500	<b>0.0550</b>
0.0700	0.0300	0.0300	0.0300	0.0300	<b>0.0500</b>
0.1000	0.1000	0.1000	0.1000	0.1000	<b>0.0950</b>
0.0700	0.0550	0.0350	0.0600	0.0600	<b>0.0600</b>
0.0800	0.0600	0.0700	0.0700	0.0850	<b>0.0850</b>
0.0500	0.0250	0.0200	0.0250	0.0400	<b>0.0400</b>
0.0700	0.0400	0.0400	0.0400	0.0400	<b>0.0400</b>
0.0950	0.0450	0.0600	0.0600	0.0650	<b>0.0850</b>

**Carteret County, North Carolina**

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

	2003	2004	2005	2006
<b>Rescue Districts</b>				
Beaufort	0.0550	0.0550	0.0550	0.0550
Broad & Gales Creek	0.0350	0.0450	0.0550	0.0750
Mill Creek	0.0200	0.0200	0.0200	0.0200
Mitchell Village	0.0400	0.0400	0.0400	0.0400
Otway	0.0550	0.0550	0.0550	0.0550
Sea Level	0.1675	0.1700	0.1675	0.1675
Western Carteret	0.0500	0.0500	0.0550	0.0500
<b>Beach Nourishment Districts</b>				
Salter Path <sup>1</sup>	0.4300	0.4300	0.4300	0.4300
Indian Beach Non Ocean Front <sup>1</sup>	0.0500	0.0500	0.0200	0.0200
Indian Beach Ocean Front <sup>1</sup>	0.4800	0.4800	0.2200	0.2200
Emerald Isle Non Ocean Front <sup>1</sup>	0.0300	0.0300	0.0300	0.0300
Emerald Isle Ocean Front <sup>1</sup>	0.4800	0.4800	0.4800	0.4800
Pine Knoll Shores Ocean Front <sup>2</sup>	-	0.4200	0.4200	0.0600
Pine Knoll Shores Non Ocean Front <sup>2</sup>	-	0.0600	0.0600	0.2000
<b>Water Districts</b>				
County Water District <sup>3</sup>	-	-	-	-

Source: Carteret County Tax Department

Notes:

<sup>1</sup>First Year Tax District 2003

<sup>2</sup>First Year Tax District 2004

<sup>3</sup>First Year Tax District 2012

2007	2008	2009	2010	2011	2012
0.0600	0.0250	0.0400	0.0450	0.0450	<b>0.0500</b>
0.0750	0.0350	0.0350	0.0300	0.0300	<b>0.0300</b>
0.0200	0.0450	0.0450	0.0450	0.0450	<b>0.0450</b>
0.0400	0.0250	0.0400	0.0400	0.0400	<b>0.0400</b>
0.0550	0.0300	0.0300	0.0300	0.0300	<b>0.0300</b>
0.1675	0.1200	0.1200	0.1200	0.1200	<b>0.0800</b>
0.0500	0.0300	0.0300	0.0300	0.0300	<b>0.0300</b>
0.4300	-	-	-	-	<b>0.1500</b>
0.0200	0.0200	0.0100	0.0100	0.0100	<b>0.0100</b>
0.3200	0.0100	0.0100	0.0100	0.0100	<b>0.0350</b>
0.1850	0.0110	0.0110	0.0110	0.0110	<b>0.0150</b>
0.6350	0.1620	0.1620	0.1620	0.1620	<b>0.0450</b>
0.6000	0.0264	0.0160	0.0160	0.0160	<b>0.0140</b>
0.2400	0.1727	0.1050	0.1050	0.1050	<b>0.0520</b>
-	-	-	-	-	<b>0.0550</b>





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

Name of Taxpayer	Type of Enterprise	Fiscal Year 2012			Fiscal Year 2003		
		Assessed Valuation	Rank	Percent of Total Assessed Valuation	Assessed Valuation	Rank	Percent of Total Assessed Valuation
Carteret Craven Electric	Utility	109,909,233	1	0.729%	32,765,694	1	0.44%
Progress Energy	Utility	78,380,078	2	0.520%	-	-	-
Open Grounds Farm, Inc.	Farm	67,285,969	3	0.446%	30,847,936	3	0.41%
Carolina Telephone	Utility	46,676,112	4	0.310%	30,921,897	2	0.41%
Goose Creek Landing HOA	Real Estate	33,372,126	5	0.221%	-	-	-
Atlantic Veneer Corp	Manufacturing	23,819,512	6	0.158%	12,272,184	7	0.16%
Indian Beach Acquisition LLC	Real Estate	23,413,000	7	0.155%	-	-	-
ITAC 192 LLC	Real Estate	21,272,864	8	0.141%	-	-	-
Time Warner Entertainment	Utility	17,387,551	9	0.115%	-	-	-
Shearin Family Investment LLC	Real Estate	3,049,463	10	0.020%	-	-	-
Carolina Power & Light Co.	Utility	-	-	-	26,716,257	4	0.35%
Atlantic Beach Hotel Limited	Hotel	-	-	-	21,652,723	5	0.29%
RPM Partners, Paxon Holz	Real Estate	-	-	-	13,244,334	6	0.18%
Wal-Mart Stores East Inc	Retail	-	-	-	11,635,999	8	0.17%
Weyerhaeuser Company	Real Estate	-	-	-	10,991,625	9	0.15%
Glimcher Properties LTD	Real Estate	-	-	-	10,807,944	10	0.14%
		<b>\$ 424,565,908</b>		<b>2.815%</b>	<b>\$ 201,856,593</b>		<b>2.700%</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
2003	\$ 30,956,268	\$ (6,799)	\$ 30,949,469	\$ 29,898,714	96.54%
2004	32,194,055	(52,690)	32,141,365	31,217,821	97.13%
2005	33,055,434	(17,769)	33,037,665	32,055,875	97.03%
2006	34,299,028	99,369	34,398,397	33,517,698	97.44%
2007	37,997,380	(94,891)	37,902,489	36,909,457	97.43%
2008	43,386,701	(121,042)	43,265,659	42,240,730	97.65%
2009	43,880,900	(106,307)	43,774,593	42,486,645	97.08%
2010	44,158,178	(121,679)	44,036,499	42,758,524	97.06%
2011	44,397,414	(28,860)	44,368,554	43,043,486	97.03%
2012	<b>45,203,707</b>	<b>(122,866)</b>	<b>45,080,841</b>	<b>43,758,543</b>	<b>97.07%</b>

Notes:

(1) Includes General Fund

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

**Schedule 9**

Total Collections to Date			
Collections of			Percentage
Subsequent Years	Amount		of Levy
\$ 1,041,952	\$ 30,940,666		99.97%
897,481	32,115,302		99.92%
960,575	33,016,450		99.94%
799,366	34,317,064		99.76%
876,201	37,785,658		99.69%
814,837	43,055,567		99.51%
967,731	43,454,376		99.27%
888,360	43,646,884		99.12%
726,411	43,769,897		98.65%
-	<b>43,758,543</b>		<b>97.07%</b>

**Carteret County, North Carolina**

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

Fiscal Year	Governmental Activities			Business Activity	
	General Obligation Bonds	Certificates of Participation	Installment Loans	Installment Loans	
2003	\$ 31,050,000	\$ 24,285,000	\$ 3,073,143	\$ 467,612	
2004	29,695,000	22,240,000	2,516,572	589,608	
2005	27,650,000	20,545,000	2,100,000	2,980,303	
2006	47,605,000	18,715,000	1,800,000	3,328,720	
2007	63,220,000	16,915,000	3,500,000	3,156,512	
2008	59,550,000	15,605,000	6,367,364	2,985,480	
2009	55,920,000	7,045,000	16,453,210	2,814,448	
2010	52,330,000	5,735,000	15,135,783	2,643,416	
2011	48,745,000	5,155,000	18,489,570	2,472,384	
<b>2012</b>	<b>45,100,000</b>	<b>4,660,000</b>	<b>16,099,052</b>	<b>2,301,352</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 13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Personal income not available to calculate fiscal years 2011 and 2012.

**Schedule 10**

Bond Anticipation Notes	Total Primary Government	Per Capita (1)	Percentage of Personal Income (1)
\$ -	\$ 58,875,755	\$ 970	3.49%
-	55,041,180	909	3.05%
-	53,275,303	872	2.74%
-	71,448,720	1,138	3.52%
-	86,791,512	1,367	4.01%
-	84,507,844	1,335	3.52%
-	82,232,658	1,294	3.32%
-	75,844,199	1,183	2.94%
1,046,000	75,907,954	1,184	*
<b>1,046,000</b>	<b>69,206,404</b>	<b>1,064</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
2003	\$ 31,050,000	\$ 7,366,410,909	0.42%	1.84%	60,712	\$ 511.43
2004	29,695,000	7,652,511,338	0.39%	1.65%	60,574	490.23
2005	27,650,000	7,865,963,810	0.35%	1.42%	61,112	452.37
2006	47,605,000	8,189,801,676	0.58%	2.35%	62,760	758.52
2007	63,220,000	8,619,249,952	0.73%	2.92%	63,511	995.42
2008	59,550,000	18,620,488,670	0.32%	2.48%	63,294	940.85
2009	55,920,000	19,028,825,652	0.29%	2.26%	63,535	880.14
2010	52,330,000	19,154,428,262	0.27%	2.03%	64,107	816.29
2011	48,745,000	19,287,665,218	0.25%	*	65,050	749.35
<b>2012</b>	<b>45,100,000</b>	<b>15,072,107,348</b>	<b>0.30%</b>	*	<b>67,696</b>	<b>666.21</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 2011 and 2012



**Carteret County, North Carolina**

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

	2003	2004	2005	2006
Assessed values of property	\$ 7,366,410,909	\$ 7,652,511,388	\$ 7,865,963,810	\$ 8,189,801,676
Debt limit 8% of assessed value	589,312,873	612,200,911	629,277,105	655,184,134
Gross debt:				
Total bonded debt	55,335,000	52,095,000	48,195,000	66,320,000
Installment debt	3,073,143	2,516,572	2,100,000	1,800,000
Authorized unissued bonded debt	-	-	-	28,010,000
<b>Total amount of debt applicable to debt limit</b>	<b>58,408,143</b>	<b>54,611,572</b>	<b>50,295,000</b>	<b>96,130,000</b>
Legal debt margin	\$ 530,904,730	\$ 557,589,339	\$ 578,982,105	\$ 559,054,134
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	<b>9.91%</b>	<b>8.92%</b>	<b>7.99%</b>	<b>14.67%</b>

Schedule 12

2007	2008	2009	2010	2011	2012
\$ 8,619,249,952	\$ 18,620,488,670	\$ 19,028,825,652	\$ 19,154,428,262	\$ 19,287,665,218	\$ 15,072,107,348
689,539,996	1,489,639,094	1,522,306,052	1,532,354,261	1,543,013,217	1,205,768,588
80,135,000	75,155,000	62,965,000	58,065,000	53,900,000	49,760,000
3,500,000	6,367,364	16,453,210	15,135,783	18,489,570	16,099,052
9,710,000	9,710,000	9,710,000	9,710,000	9,710,000	9,710,000
93,345,000	91,232,364	89,128,210	82,910,783	82,099,570	75,569,052
\$ 596,194,996	\$ 1,398,406,730	\$ 1,433,177,842	\$ 1,449,443,478	\$ 1,460,913,647	\$ 1,130,199,536
13.54%	6.12%	5.85%	5.41%	5.32%	6.27%

**Computation of Direct and Overlapping Debt  
General Obligation Bonds  
June 30, 2012**

	Outstanding Debt	Percent Applicable to County	Amount Applicable to County
<b>Direct</b>			
Carteret County (1)	\$ 45,100,000	100.00%	\$ 45,100,000
<b>Overlapping</b>			
Town of Emerald Isle (2)	950,000	100.00%	950,000
Town of Newport (2)	3,658,500	100.00%	3,658,500
Town of Pine Knoll Shores (2)	3,750,000	100.00%	3,750,000
Subtotal overlapping debt	<u>8,358,500</u>		<u>8,358,500</u>
Total direct and overlapping debt	<u>\$ 53,458,500</u>		<u>\$ 53,458,500</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)
2003	60,712	\$ 1,685,144	\$ 27,619	5.30%	8,163
2004	60,574	1,820,000	29,317	4.66%	8,259
2005	61,112	1,946,000	30,961	4.59%	8,237
2006	62,760	2,029,585	32,086	4.22%	8,425
2007	63,511	2,162,444	34,241	4.02%	8,297
2008	63,294	2,401,852	37,796	4.74%	8,297
2009	63,535	2,477,362	38,455	7.42%	8,294
2010	64,107	2,583,758	40,304	8.39%	8,273
2011	65,050	*	*	8.35%	8,491
<b>2012</b>	<b>67,696</b>	*	*	<b>9.30%</b>	<b>8,336</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	2012			2003		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Carteret County Public Schools	1,076	1	3.30%	1,234	1	3.84%
Carteret General Hospital	1,000	2	3.06%	795	2	2.48%
NC Department of Transportation	553	3	1.69%	-	-	-
Carteret County	548	4	1.68%	359	6	1.12%
Wal-Mart	424	5	1.30%	570	3	1.78%
Carteret Community College	381	6	1.17%	250	9	0.78%
US Coast Guard	275	7	0.84%	322	7	1.00%
Lowe's Home Improvements	274	8	0.84%	-	-	-
Lowe's Foods	237	9	0.73%	-	-	-
Food Lion	200	10	0.61%	405	4	1.26%
Atlantic Veneer	-	-	-	365	5	1.14%
Henry's Tackle & Sporting Goods	-	-	-	320	8	1.00%
Sheraton Resort at Atlantic Beach	-	-	-	225	10	0.70%

Source: Carteret County Economic Development Council



**Carteret County, North Carolina**

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

Function/Program	Full-Time Equivalent Employees			
	2003	2004	2005	2006
General government	48.00	49.00	47.00	61.30
Public safety	98.75	98.75	100.75	102.75
Transportation	2.00	2.00	2.00	2.00
Economic and physical development	21.00	14.00	15.00	17.00
Environmental protection	8.00	8.80	9.80	9.80
Human Services	153.60	153.25	156.25	154.15
Cultural and recreation	19.40	20.00	20.00	21.00
Water/Sewer (Business activity)	2.20	2.20	2.20	3.70
<b>Total</b>	<b>352.95</b>	<b>348.00</b>	<b>353.00</b>	<b>371.70</b>

Source: County Finance Department

Notes:

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

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

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

Schedule 16

2007	2008	2009	2010	2011	2012
63.60	66.10	66.10	66.40	66.60	<b>62.85</b>
106.00	114.00	119.00	114.30	141.00	<b>130.00</b>
2.00	2.00	2.00	2.00	2.00	<b>2.00</b>
17.00	19.50	18.50	17.00	17.00	<b>17.00</b>
8.00	6.00	6.00	7.00	7.00	<b>7.00</b>
162.60	167.80	171.80	169.58	169.91	<b>169.33</b>
21.00	22.00	22.00	20.92	21.49	<b>20.07</b>
4.40	4.40	4.40	4.40	4.40	<b>4.15</b>
<b>384.60</b>	<b>401.80</b>	<b>409.80</b>	<b>401.60</b>	<b>429.40</b>	<b>412.40</b>





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

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

Sources: Various government departments.

**Notes:**

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

Data prior to fiscal year ending 2009 is not available

**Carteret County, North Carolina**

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

	2003	2004	2005	2006
<b>Function</b>				
Public safety:				
Sheriff				
Stations	1	1	1	1
Patrol Units	20	20	20	20
Environmental protection:				
Solid waste convenience sites	12	12	12	12
Culture and recreation:				
Park acreage	148	148	148	148
Parks	7	7	7	7
Tennis courts	5	5	5	5
Community centers	2	2	2	2
Public libraries	4	4	4	4
Water:				
Water mains (miles)	-	26	26	48
Maximum daily capacity	-	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. The County's water system was not complete and operational until fiscal year 2004.

Schedule 18

2007	2008	2009	2010	2011	2012
1	1	1	1	1	1
24	24	24	24	24	24
12	12	12	12	12	12
148	159	159	159	159	163
7	7	7	7	7	9
5	5	5	5	5	14
2	2	2	2	2	3
4	4	4	4	4	5
48	48	48	48	51	51
600,000	600,000	600,000	600,000	600,000	600,000



## **Compliance Section**

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

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

To the Board of County Commissioners  
Carteret County, North Carolina  
Beaufort, North Carolina

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carteret County, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise Carteret County's basic financial statements, and have issued our report thereon dated November 19, 2012. Our report includes a reference to 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. Other auditors audited the financial statements of Carteret County General Hospital Corporation, Carteret County Alcoholic Beverage Control ("ABC") Board, Beaufort-Morehead City Airport Authority and Carteret County Tourism Development Authority, as described in our report on Carteret County's financial statements. The financial statements of Carteret County General Hospital Corporation and Carteret County Alcoholic Beverage Control Board were not audited in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*. 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 the auditors of Beaufort-Morehead City Airport Authority and Carteret County Tourism Development Authority.

***Internal Control Over Financial Reporting***

Management of Carteret County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Carteret County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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 County's financial statements will not be prevented, or detected and corrected on a timely basis.



Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 12-1 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, an internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### ***Compliance and Other Matters***

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

We noted certain matters that we reported to the management of Carteret County, in a separate letter dated November 19, 2012.

Carteret County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Carteret County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the County Commissioners, others within the County, federal and State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*McGladrey LLP*

Morehead City, North Carolina  
November 19, 2012



**Independent Auditor's Report  
on Compliance With Requirements  
That Could Have a Direct and  
Material Effect on Each Major Federal  
Program and on Internal Control  
Over Compliance in Accordance With  
OMB Circular A-133 and the  
State Single Audit Implementation Act**

To the Board of County Commissioners  
Carteret County, North Carolina  
Beaufort, North Carolina

***Compliance***

We have audited Carteret County, North Carolina's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Carteret County's major federal programs for the year ended June 30, 2012. Carteret County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Carteret County's management. Our responsibility is to express an opinion on Carteret County's compliance based on our audit.

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

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

In our opinion, Carteret County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

### ***Internal Control Over Compliance***

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

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the County Commissioners, others within the County, federal and State awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*McGladrey LLP*

Morehead City, North Carolina  
November 19, 2012



**Independent Auditor's Report  
on Compliance With Requirements  
That Could Have a Direct and  
Material Effect on Each Major State  
Program and on Internal Control  
Over Compliance in Accordance  
With Applicable Sections of OMB  
Circular A-133 and the  
State Single Audit Implementation Act**

To the Board of County Commissioners  
Carteret County, North Carolina  
Beaufort, North Carolina

**Compliance**

We have audited Carteret County, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Carteret County's major State programs for the year ended June 30, 2012. Carteret County's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Carteret County's management. Our responsibility is to express an opinion on Carteret County's compliance based on our audit.

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

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

In our opinion, Carteret County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2012.

### ***Internal Control Over Compliance***

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

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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the County Commissioners, others within the County, federal and State awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*McGladrey LLP*

Morehead City, North Carolina  
November 19, 2012

**Carteret County, North Carolina**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012**

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

Financial Statements

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

Federal Awards

Internal control over major federal programs:		
Material weakness(es) identified?	<u>          </u> Yes	<u>    X    </u> No
Significant deficiency(ies) identified?	<u>          </u> Yes	<u>    X    </u> None Reported

Type of auditor's report issued on compliance for major federal programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) OMB Circular A-133?	<u>          </u> Yes	<u>    X    </u> No
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Identification of major federal programs:

<u>Program Name</u>	<u>CFDA</u>
Medical Assistance	93.778
Low Income Home Energy Assistance	93.558

Dollar threshold used to distinguish between type A and type B programs:	<u>\$1,534,136</u>
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Auditee qualified as low-risk auditee?	<u>    X    </u> Yes	<u>          </u> No
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(Continued)

**Carteret County, North Carolina**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2012**

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

State Awards

Internal control over major State programs:

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

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

<u>Program Name</u>	<u>Grant Number</u>
Medical Assistance (State Portion)	N/A

**II - Financial Statement Findings**

**Finding 12-1 - Significant Deficiency**

Criteria: G.S. 159-8(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance.

Condition and Context: The County expended \$69,626 more for occupancy tax expenditures and transfers to the General Fund than appropriated in the annual budget ordinance.

Effect: The County expended funds that had not been appropriated.

Cause: The County received and expended occupancy tax that had not been budgeted for in the budget ordinance and a budget amendment was not adopted.

Recommendation: We recommend that the County closely monitor occupancy tax collections and budget appropriations against projected expenditures and make necessary amendments to avoid expenditures in excess of appropriations.

(Continued)

**Carteret County, North Carolina**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2012**

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**II - Financial Statement Findings (Continued)**

**Finding 12-1 (Continued)**

Views of Responsible Officials: The County agrees with this finding. The County staff will monitor actual revenues and expenditures closely throughout the year and propose budgeting the Occupancy Tax Fund revenues and expenditures more than estimated to ensure adequate appropriations for expenditures are made.

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

None reported.

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

None reported.



**Carteret County, North Carolina**

**Corrective Action Plan  
Year Ended June 30, 2012**

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**Finding 12-1 Significant Deficiency - Compliance - Expenditures in Excess of Appropriations**

Contact Name: Dee Meshaw, Assistant County Manager of Finance and Administration

Corrective Action: The County staff will recommend and propose budgeting the Occupancy Tax Fund revenues and consequently expenditures more than estimated. Staff will monitor actual revenues and expenditures closely throughout the year.

Effective Date: July 1, 2012

**Carteret County, North Carolina**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2012**

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

**Schedule of Expenditures of Federal and State Awards  
Year Ended June 30, 2012**

	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	\$ -	\$ 23,519
Administered by County Engineering Department					
Waste & water disposal system for rural communities - ARRA	10.781		1,453,663	-	-
			<u>1,476,152</u>	<u>-</u>	<u>23,519</u>
Passed through NC Department of Health and Human Services:					
Division of Women and Children:					
Administered by County Health Department:					
Special Supplemental Nutrition Program for Women, Infants and Children					
	10.557		256,613	-	14,295
Benefit Payments - noncash	10.557		965,381	-	-
			<u>1,221,994</u>	<u>-</u>	<u>14,295</u>
Passed through NC Department of Health and Human Services:					
Division of Social Services:					
Administered by County Department of Social Services:					
State Administrative Matching Grants for the Food Stamp Supplemental Nutrition Assistance Program Cluster:					
Food Stamp Admin	10.561		363,263	-	363,263
Food Stamp EBT	10.561		154	-	154
Food Stamp Fraud Admin	10.561		30,734	-	30,734
<b>Total Supplemental Nutrition Assist. Program Cluster:</b>			<u>394,151</u>	<u>-</u>	<u>394,151</u>
<b>Total US Department of Agriculture</b>			<u>3,092,297</u>	<u>-</u>	<u>431,965</u>
<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		2,665	-	-
<b>US Department of Interior:</b>					
Direct Program:					
Administered by County Finance Department:					
National Forest, Public Schools	15.225		53,241	-	-
<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		167,270	10,454	31,363
ARRA Capital	20.509		2,400	-	-
			<u>169,670</u>	<u>10,454</u>	<u>31,363</u>

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)**  
**Year Ended June 30, 2012**

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
Passed through NC Department of Crime Control and Public Safety:					
Division of Emergency Management					
Administered by Carteret County Emergency Management Department:					
Hazardous Material Transportation	20.073		\$ 9,441	\$ -	\$ -
<b>Total US Department of Transportation</b>			<b>179,111</b>	<b>10,454</b>	<b>31,363</b>
<b>US Department of Justice</b>					
<b>Bureau of Justice Assistance</b>					
Passed through NC Department of Crime Control and Public Safety					
Administered by Carteret County Boys and Girls Club					
ARRA Gang Prevention Grant	16.803		24,167	-	-
			<b>24,167</b>	<b>-</b>	<b>-</b>
Administered by County Rape Crisis					
Sexual Assault Program	16.575		39,221	-	9,805
<b>Total US Department of Justice</b>			<b>63,388</b>	<b>-</b>	<b>9,805</b>
<b>US Election Assistance Commission</b>					
<b>General Services Administration</b>					
Passed Through NC Board of Elections					
Administered by Carteret County Elections Department					
HAVA Voting Access for individuals with disabilities	39.011		5,465	-	-
<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:					
Preventive Title III D	93.043		18,078	1,063	2,127
HCCBG In-Home Support Services Title III B	93.044		73,850	4,344	8,688
HCCBG - Access	93.044		26,954	1,586	3,171
HCCBG Congregate Meals	93.045		74,956	4,409	8,818
HCCBG Home Delivered Meals Title III C2	93.045		22,754	1,388	2,677
HCCBG In-Home Support Services	93.667		15,985	457	1,827
<b>Total Aging Cluster</b>			<b>232,577</b>	<b>13,247</b>	<b>27,308</b>
Passed through NC Dept. of Health and Human Services:					
NC Division of Aging and Adult Services, Eastern Carolina Council:					
NSIP-Nutrition (USDA Title C1, C2)	10.570		12,851	-	-
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) Cluster:					
TANF Benefit Payments	93.558		313,111	(138)	(272)
Work First Administration	93.558		147,404	-	111,839
TANF Domestic Violence	93.558		13,646	-	-
Work First Service	93.558		727,628	-	505,281
<b>Total TANF Cluster</b>			<b>1,201,789</b>	<b>(138)</b>	<b>616,848</b>
Family Preservation	93.556		5,412	-	-
AFDC Underemployed Parents	93.560		(173)	(47)	(47)
AFDC Payments	93.560		(488)	(134)	(134)
			<b>(661)</b>	<b>(181)</b>	<b>(181)</b>

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)  
Year Ended June 30, 2012**

	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		646,971	(117)	333,288
IV-D Offset Fees ESC	93.563		105	-	54
IV-D Offset Fees Federal	93.563		1,880	40	929
			<b>648,956</b>	<b>(77)</b>	<b>334,271</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		96,000	-	-
Administration	93.568		26,213	-	-
Crisis Intervention payments	93.568		196,829	-	-
			<b>319,042</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		85,513	-	-
Division of Child Development					
Child Care & Development Fund-Discretionary	93.575		756,178	-	-
Child Care & Development Fund-Mandatory	93.596		284,854	-	-
Child Care & Development Fund-Match	93.596		107,666	8,390	-
Total Child Care Fund Cluster			<b>1,234,211</b>	<b>8,390</b>	<b>-</b>
Social Services Block Grant	93.667		48,594	-	-
Temporary Assistance for Needy Families	93.558		334,574	-	-
ARRA- Emergency Contingency Fund for TANF State Programs	93.714		28,377	-	-
Foster Care Title IV-E	93.658		9,756	-	-
State Appropriations			-	286,498	-
TANF- MOE			-	81,755	-
<b>Total Subsidized Child Care Cluster</b>			<b>1,655,512</b>	<b>376,643</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		2,861	3,523	2,128
Foster Care and Adoption Cluster:					
Title IV-E Foster Care:					
IV E CPS	93.658		91,666	26,338	65,327
IV-E Optional Adopt TRN 50%	93.659		17,038	-	17,038
IV-E Family Foster Care MAX	93.658		2,721	-	1,451
Foster Care payments	93.658		79,430	21,199	21,200
IV-E Foster Care /OFF TRN	93.658		140,273	-	140,273
IV-E Foster Care TRN	93.658		11,529	-	3,843
IV-E Admin County Paid to CCI	93.658		1,346	673	673
IV-E Adoption Training	93.659		2,539	-	846
IV-E adoption subsidy and vendor	93.659		366,620	98,336	98,336
Adoption/ Foster Care	N/A		34,702	-	3,392
<b>Total Foster Care and Adoption Cluster</b>			<b>747,864</b>	<b>146,546</b>	<b>352,379</b>

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)  
Year Ended June 30, 2012**

	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		\$ 2,577	\$ -	\$ 368
In-home Services over 60	93.667		4,255	-	608
In-home Services - SSBG other services	93.667		167,253	16,327	61,193
CPS TANF to SSBG	93.667		48,594	-	-
			<u>222,679</u>	<u>16,327</u>	<u>62,169</u>
Passed through NC Department of Health and Human Services:					
Administered by County Department of Social Services:					
Independent Living Links	93.674		11,128	-	-
Links	93.674		15,163	3,791	-
			<u>26,291</u>	<u>3,791</u>	<u>-</u>
Health Care Financing Administration					
Passed through NC Department of Health and Human Services:					
Division of Medical Assistance:					
Administered by Carteret County DSS:					
Medical Assistance Program					
Expansion	93.778		7,542	7,542	-
ADT CR HM CS Mgt/Spec	93.778		21,237	5,534	15,702
Benefit payments	93.778		39,938,686	23,223,846	9,754
Transportation Service	93.778		13,730	7,324	-
Division of Social Services					
Administered by Carteret County DSS:					
Medical Assistance Administration					
	93.778		868,937	-	868,937
Transportation Administration					
	93.778		75,861	-	75,861
Division of Public Health:					
Administered by Carteret County Health Department					
Medical Assistance Program					
	93.778		60,563	23,366	-
			<u>40,986,556</u>	<u>23,267,612</u>	<u>970,254</u>
Division of Social Services					
Administered by Carteret County DSS:					
State Children's Insurance Program - NC Health Choice					
	93.767		64,258	2,533	18,147
Centers for Disease Control					
Passed through NC Department of Health and Human Services:					
Division of Public Health:					
Administered by Carteret County Health Department					
Statewide Health Promotion Program					
	93.991		22,898	-	48,130
Health Resources and Services Administration					
Passed through NC Department of Health and Human Services:					
Division of Public Health:					
Administered by Carteret County Health Department					
Public Health Emergency Preparedness					
	93.069		43,521	-	7,349
Immunization Grants					
	93.268		18,068	-	-
Prevention Investigations and Technical Assistance					
	93.283		2,543	-	-
Comprehensive Breast and Cervical Cancer Early Detection Programs					
	93.919		17,760	6,375	-
Social Services Block Grant					
	93.667		9,916	500	-
Maternal & Child Health Services Block Grant					
	93.994		55,642	91,737	117,333
			<u>147,450</u>	<u>98,612</u>	<u>124,682</u>
Immunization Program/Aid to County Funding					
	93.268		8,647	-	-
Office of Population Affairs					
Passed through NC Department of Health and Human Services:					
Office of Population Affairs					
Family Planning Service					
	93.217		123,579	-	-

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)  
Year Ended June 30, 2012**

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
Passed through NC Department of Insurance					
Administered by Carteret County Cooperative Extension					
Seniors' Health Insurance Information Program	93.779		\$ 4,164	\$ -	\$ -
<b>Total US Department of Health and Human Services</b>			<b>46,432,725</b>	<b>23,928,438</b>	<b>2,556,135</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					
2009 CDBG SSH	14.228		118,618	-	-
2009 CDBG CR	14.228		246,674	-	-
<b>Total US Department of Housing &amp; Urban Development</b>			<b>365,292</b>	<b>-</b>	<b>-</b>
<b>US Department of Homeland Security</b>					
Passed through NC Department of Crime Control and Public Safety					
Division of Emergency Management					
Administered by Carteret County Emergency Management Department					
FEMA - Public Assistance	97.036		710,648	236,883	-
2009 Port Security Grant	97.056		206,501	-	68,834
Administered by Carteret County Sheriff's Department					
2010 PSGP Special Response Team Equipment	97.056		26,537	-	-
<b>Total US Department of Homeland Security</b>			<b>943,686</b>	<b>236,883</b>	<b>68,834</b>
<b>State Assistance</b>					
<b>NC Department of Health and Human Services:</b>					
Administered by County Finance Department:					
Services for Court Referrals					
Boys and Girls Club program			-	58,845	-
Juvenile Restitution Fund			-	48,554	-
Juvenile Crime Prevention			-	2,720	-
Teen Court			-	53,956	-
<b>Total</b>			<b>-</b>	<b>164,075</b>	<b>-</b>
Division of Social Services:					
Administered by County Department of Social Services:					
State/County Special Assistance Benefit payments			-	-	28,060
Energy Assistance, Private Grants			-	9,372	-
County Funded Programs			-	-	1,000,130
Non-Allocating County Cost			-	-	805,376
Work First Non Reimbursable			-	-	55,713
AFDC Incent / Prog Integrity			-	288	-
TANF / AFDC Program Integrity			-	1,275	-
CWS Adopt Subsidy & Vendor			-	154,098	46,506
Foster Care Special Provision			-	725	-
Foster care at Risk Maximization			-	190	101
SC/SA Domiciliary Care payment			-	419,207	419,207
SFHF Maximization			-	8,214	8,214
State Foster Home			-	59,725	59,725
<b>Total</b>			<b>-</b>	<b>653,094</b>	<b>2,423,032</b>

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)**  
**Year Ended June 30, 2012**

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
<b>Division of Aging and Adult Services:</b>					
Passed through Eastern Carolina Council of Government					
Administered by the County Department of Social Services					
In-house Services 90% State Funds:					
Senior Center :					
			\$ -	\$ 20,588	\$ 2,288
			-	209,773	23,308
			-	18,984	2,109
			-	8,086	898
			-	257,431	28,603
<b>Division of Public Health</b>					
Administered by the County Health Department					
Other Receipts/ State Supported Expenditures					
			-	6,597	-
			-	3,700	-
			-	20,920	-
			-	761	-
			-	2,091	-
			-	1,756	121,425
			-	80,139	1,089,492
			-	9,147	-
			-	10,964	-
			-	1,529	-
			-	137,604	1,210,917
<b>Total NC Department of Health and Human Services</b>			-	1,212,204	3,662,552
<b>NC Department of Environment and Natural Resources:</b>					
Natural Resources Division:					
Passed through County Finance Office:					
			-	20,846	-
			-	81,956	-
			-	102,802	-
<b>Division of Environmental Health</b>					
Administered by the Environmental Health Department					
			-	16,041	1,031,082
<b>Division of Coastal Management</b>					
Administered by the County Administration Department					
		4395	-	111,784	23,862
<b>Total NC Department of Environment and Natural Resources</b>			-	230,627	1,054,944

(Continued)



**Schedule of Expenditures of Federal and State Awards (Continued)  
Year Ended June 30, 2012**

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
<b>NC Department of Crime Control and Public Safety:</b>					
Division of Emergency Management					
Administered by the County Emergency Services Department					
Emergency Management Performance Grant			\$ -	\$ 35,261	\$ 35,261
<b>NC Department of Corrections:</b>					
Administered by the County Finance Office:					
Criminal Justice Partnership Program		16-0710-I-A	-	76,450	-
<b>NC Department of Administration:</b>					
Division of Veterans Affairs:					
Administered by County Veterans Services:					
Veterans Services			-	1,452	296,910
Other:					
Sexual Assault Grant Rape Crisis			-	50,388	12,597
<b>Total NC Department of Administration</b>			-	51,840	309,507
<b>NC Department of Public Instruction:</b>					
Public School Building Capital Fund					
Administered by the County Finance Department					
Lottery Proceeds Allocation			-	700,000	-
<b>NC Department of Transportation</b>					
Administered by the Carteret County Transportation Department					
DOT ROAP RGP Grant		DOT-16CL	-	75,482	8,387
DOT ROAP Employment Grant		DOT-16CL	-	28,788	3,199
DOT Elderly and Disabled		DOT-16CL	-	70,949	7,883
<b>Total NC Department of Transportation</b>			-	175,219	19,469
<b>Total Federal Expenditures</b>			<u>\$ 51,137,870</u>		
<b>Total State Expenditures</b>				<u>\$ 26,657,376</u>	
<b>Total Local Expenditures</b>					<u>\$ 8,179,835</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, 2012**

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#### **Note 1. General**

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

#### **Note 2. Basis of Accounting**

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

In accordance with guidance issued by the United States Department of Agriculture, Food and Nutrition Service Division, direct benefits payments for the Supplemental Nutrition Assistance Program (SNAP), formerly the Food Stamp Program, of \$11,442,612 have not been reported as expenditures in the basic financial statements or in the Schedule of Expenditures of Federal and State Awards.

#### **Note 3. Relationship to Fund Financial Statements**

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

#### **Note 4. Loans Outstanding**

The County has outstanding loan balances from federal and State funding sources that are not required to be presented within the schedule of expenditures of federal and State awards because there are no continuing requirements beyond the repayment of the loan balances in accordance with loan agreement provisions. The loan funds are presented in the schedule in the year of their expenditure. The outstanding balance of the Drinking Water State Revolving Fund at June 30, 2012 was \$2,301,352.

#### **Note 5. Program Clusters**

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