

McGladrey & Pullen

Certified Public Accountants

Carteret County, North Carolina

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2008

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

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Introductory Section

Letter of Transmittal

List of Principal Officials

Organizational Chart

Map of Carteret County, North Carolina

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November 13, 2008

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, 2008.

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 & Pullen, 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, 2008 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, 2008, 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 63,300 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 31 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 its successful transition from a seasonal economy dependent on tourism to a diversified, year-round economy. Annual unemployment average was 4.74% for the County compared to 4.02% in the prior year. Although the tourism industry continues to perform well with an average annual economic impact of \$246.35 million, much of the improvement in the economy is attributable to the diversification of the economy into 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. Carteret County has thirty boat builders, the largest number in North Carolina. The Park continues to expand with 27 of the 29 lots available sold in the second phase of the industrial park.

Crystal Coast Business Park is located off US Route 70 in Morehead City. The park is 58 acres with eleven parcels. Six 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 open ocean. Commodities such as rubber, lumber, steel, and wood pulp go through the port. The State is expanding the Port through the development of a new terminal warehouse complex. This is an \$85 million investment.

Retail

Retail continues to expand in Carteret County. Some highlights of expansion last fiscal year are a shopping center that includes stores such as TJ Max, Michaels, and Bed, Bath, and Beyond, as well as several restaurants in Morehead City. A Super Wal-Mart is obtaining permits in order to begin in Cedar Point, and a Harris Teeter and shopping center is under construction in Morehead City.

The following table lists the 10 largest manufacturing and nonmanufacturing employers in the County in 2008:

Employer	Service	Approximate Number of Employees
Carteret County Public Schools	Education	1,439
Carteret General Hospital	Medical	994
Wal Mart	Retail	544
Carteret County	Government Service	437
Atlantic Veneer	Hardwood Veneer	350
Carteret Community College	Education	348
U.S. Coast Guard	Military	273
Henry's Tackle & Sporting Goods	Wholesale Distribution	237
NC Natural Resources & Community Development	Government	229
Bally Refrigerated Boxes, Inc.	Manufacturing	171

Source: Carteret County Economic Development Council, March 2008

Long-Term Financial Planning

The County's operating budget for the fiscal year ending June 30, 2009 totals \$100,325,670 with a tax rate of \$.23 per \$100 of assessed value, based on a total valuation of \$18,997,803,840. The County's assessed value represents approximately a 2.4% increase from the value used in the June 30, 2008 budget. The County anticipates slight growth in its tax base for fiscal year ending June 30, 2010. For the County's operating budget for the fiscal year June 30, 2010, it is anticipated that the tax rate would need to be between \$.23 and \$.25 per \$100 of 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% undesignated fund balance in the General Fund.

Cash Management

Effective financial planning and cash management practices have aided in the efficient use of available resources. The County continues to have a cash management program designed to assure safety of principal, sufficient liquidity for current operations, and the attainment of market-average rate of return. The demand deposit checking accounts are interest earning. Idle cash is invested using competitive bidding among all banks with investments awarded based on the highest yield. The County uses the bond trading areas of Wachovia Bank, BB&T, and First Citizens Bank for pricing and yields on various securities that are purchased. Carteret County invests primarily in government agencies.

Pension and Other Postemployment Benefits

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 allowance 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. The County finances this on a pay-as-you-go basis.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2007, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled but not yet receiving benefits	-
Active plan members	52
Total	<u>54</u>

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirements System (Death Benefit Plan), a State administered plan funded on a one-year term cost basis.

The County also provides a pension benefits for all County employees through a statewide plan managed by the Department of State Treasurer, Retirement Division. The County has no obligation in connection with employee benefits offered through this plan beyond its annual contractual payment to the Retirement Division.

The County also provides post retirement health care benefits for certain retirees. At the end of the current fiscal year, there were 26 retired employees receiving this benefit, which is financed on a pay-as-you-go basis. GAAP does not require governments to report a liability in the financial statements in connection with an employer's obligation to provide this benefit. Additional information of the County's pension arrangements and postemployment benefits can be found in Notes 9 and 11 in the notes to the financial statements.

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, 2007. This was the tenth 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, 2008. 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 devise.

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 & Pullen, 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, 2008

BOARD OF COMMISSIONERS

DOUGLAS HARRIS
Chairman
Atlantic Beach, North Carolina

HOLT FAIRCLOTH
Vice Chairman
Morehead City, North Carolina

PETE ALLEN
Emerald Isle, North Carolina

GREGORY LEWIS
Morehead City, North Carolina

WADE NELMS
Newport, North Carolina

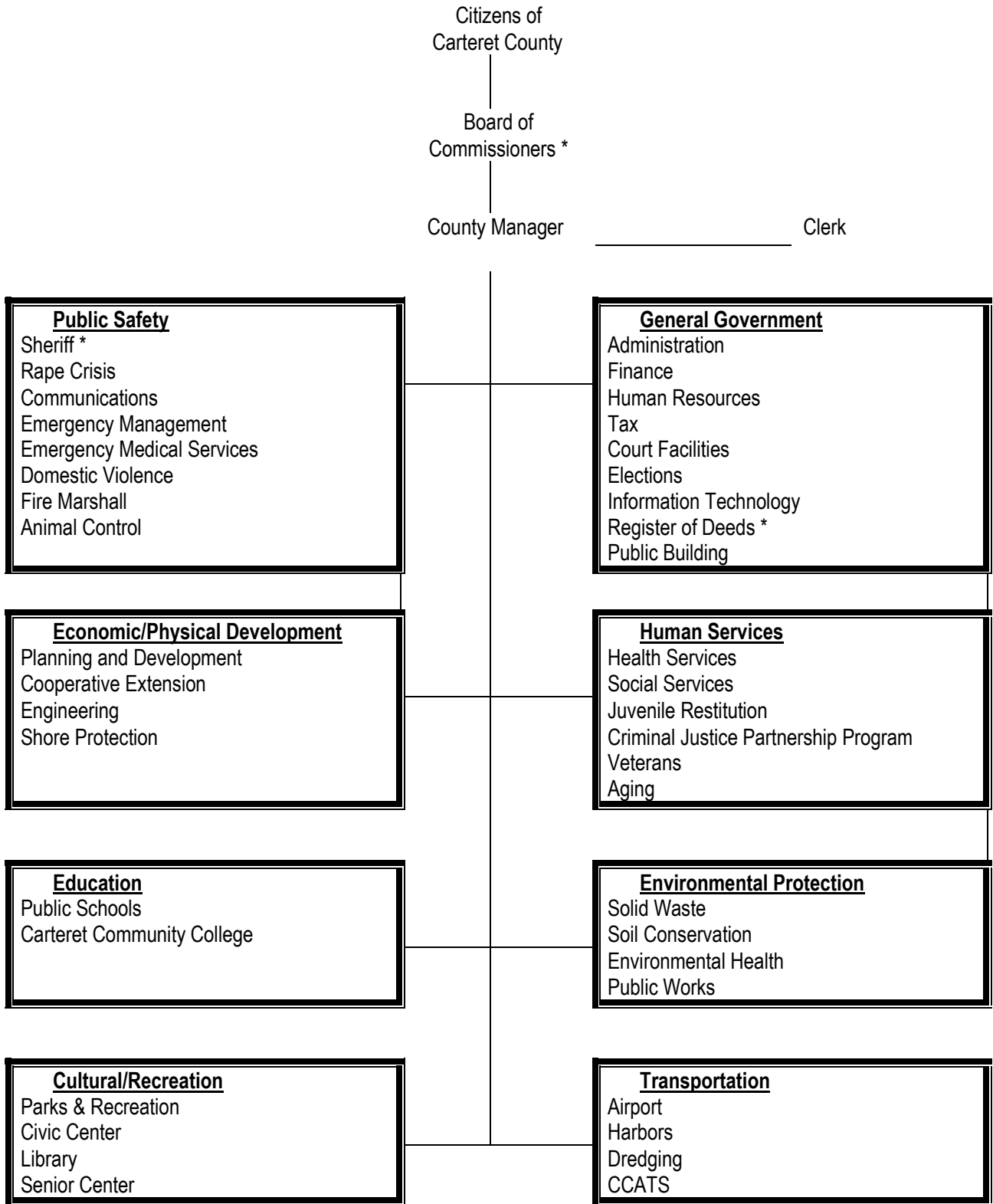
JONATHAN ROBINSON
Atlantic, North Carolina

THOMAS STEEPY
Beaufort, North Carolina

COUNTY OFFICIALS

John Langdon	County Manager
Dee H. Meshaw	Assistant County Manager Finance & Administration
Jack Veit	Assistant County Manager Public Facilities
Asa Buck III	Sheriff
Melanie Arthur	Register of Deeds
J.T. Garrett	Health Director
Katrina Marshall	Planning & Development Director
David Atkinson	Social Services Director
Allen Smith	Emergency Management Director
Myles McLoughlin	Human Resources Director
Deborah Pasteur	Parks & Recreation Director
Carl Tilghman	Tax Administrator
Gavin Hutchins	Information Technology Director

**Carteret County, North Carolina
Organizational Chart**



* Elected Officials

**MAP OF
CARTERET COUNTY, NORTH CAROLINA**

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, 2007

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.



Oliver S. Cox

President

Jeffrey R. Egan

Executive Director

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Financial Section

- **Independent Auditor's Report**
 - **Management's Discussion and Analysis**
 - **Basic Financial Statements**
 - **Notes to Financial Statements**
 - **Supplementary Information**
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McGladrey & Pullen

Certified Public Accountants

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 fiscal year ended June 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Carteret County, North Carolina'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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and Occupancy Tax 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 13, 2008 on our consideration of Carteret County, North Carolina'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.

The Management's Discussion and Analysis and the other required supplementary information on pages 15 through 23 and 83 through 84, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standard Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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, combining and individual fund financial statements and schedules and statistical section, 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 is presented for purposes of additional analysis and are not a required part of the basic financial statements of Carteret County, North Carolina. The combining and individual fund financial statements and schedules and the Schedule of Expenditures of Federal and State Awards have been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and statistical section of the Comprehensive Annual Financial Report have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Morehead City, North Carolina
November 13, 2008

Management's Discussion and Analysis (Unaudited)
June 30, 2008

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, 2008. 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, and the preceding letter of transmittal.

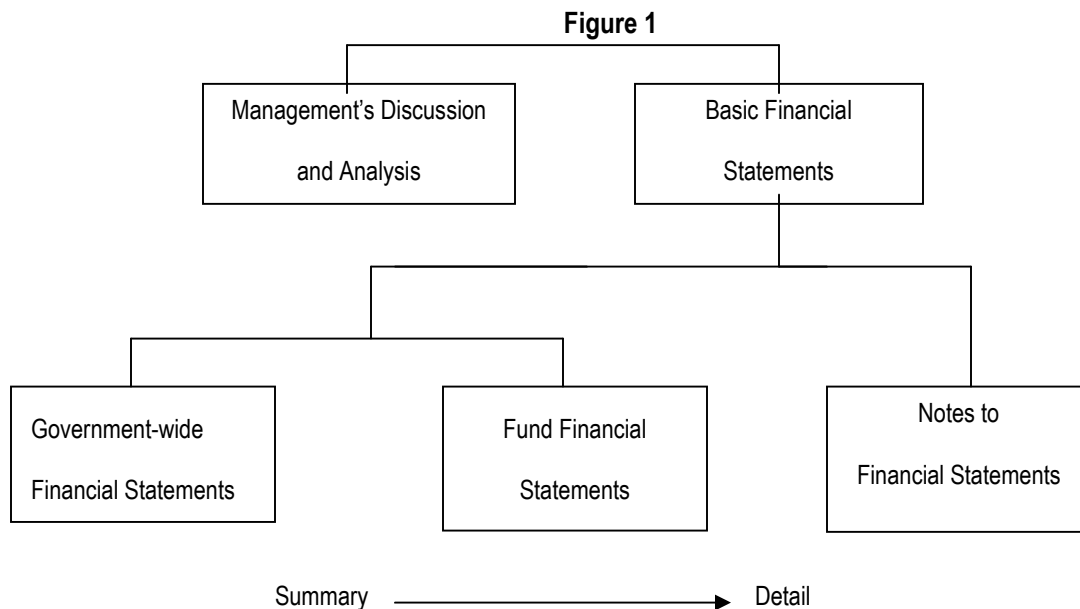
Financial Highlights

- The assets of Carteret County (primary government) were greater than its liabilities at the close of the fiscal year by \$11,906,879 (*net assets*).
- At the end of the current fiscal year, unreserved and undesignated fund balance for the General Fund was \$23,152,988 or 32.5 percent of total general fund expenditures for the fiscal year.
- The County's total long-term debt (Figure 5) decreased by \$2,283,668 due primarily to retiring debt principal.
- The County maintained its AA (Standard & Poor's and Fitch Ratings) for the second year and Aa3 (Moody's Investor Services) for the eighth consecutive 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. 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



Management's Discussion and Analysis (Unaudited)
June 30, 2008

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 and changes there in.

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. After the notes, **supplemental information** is provided to show details about the County's non-major governmental funds and internal service 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 25 – 28 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.

Management's Discussion and Analysis (Unaudited)
June 30, 2008

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.

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.

Proprietary Funds – The County has two kinds of proprietary funds. *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. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among functions of the County. The County has one Internal Service Fund, which is used to account for self insurance for health benefits. This fund was closed effective June 30, 2008.

Fiduciary Funds – Fiduciary funds are used to account for assets the County holds on behalf of others. The County has three agency funds.

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 42 – 79 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 81 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 \$11,906,879. The County's net assets decreased by \$9,528,231 for the fiscal year ended June 30, 2008. Net assets are reported in three categories: invested in capital assets, net of related debt of \$25,350,655, restricted net assets of \$10,233,675, and unrestricted net assets (deficit) of (\$23,677,451).

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited) June 30, 2008

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, 2008, the total unrestricted net assets reported a deficit of \$23,677,451. Of the County's net assets, \$10,233,675 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 and general obligation 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. Since 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 \$78.84 million of the outstanding debt on the County's financial statements was related to assets included in the school system and community college's financial statements. However, since 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	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 72,362,824	\$ 81,982,260	\$ 655,632	\$ 509,391	\$ 73,018,456	\$ 82,491,651
Capital assets	24,478,186	25,352,747	6,543,170	6,821,743	31,021,356	32,174,490
Total assets	96,841,010	107,335,007	7,198,802	7,331,134	104,039,812	114,666,141
Long-term liabilities outstanding	82,939,274	84,873,491	2,999,748	3,156,512	85,939,022	88,030,003
Other liabilities	6,101,498	5,084,054	92,413	116,974	6,193,911	5,201,028
Total liabilities	89,040,772	89,957,545	3,092,161	3,273,486	92,132,933	93,231,031
Net assets:						
Invested in capital assets, net of related debt	21,792,965	22,287,747	3,557,690	3,665,231	25,350,655	25,952,978
Restricted	10,233,675	7,127,547	-	-	10,233,675	7,127,547
Unrestricted	(24,226,402)	(12,037,832)	548,951	392,417	(23,677,451)	(11,645,415)
Total net assets	\$ 7,800,238	\$ 17,377,462	\$ 4,106,641	\$ 4,057,648	\$ 11,906,879	\$ 21,435,110

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited) June 30, 2008

Governmental activities: Governmental activities decreased the County's net assets by \$9,577,224 from fiscal year 2007. Key elements of this decrease are as follows:

- The County increased its General Fund ad valorem property tax rate one cent greater than revenue neutral to twenty-three cents per \$100 assessed value from fiscal year 2007 to fiscal year 2008. This increase generated approximately \$1.86 million additional revenue. In addition, there was approximately \$2.85 million in revenue growth due to construction expansion in the County. Increases in special district taxes were approximately \$.90 million.
- Increases in other taxes were approximately \$.88 million. The increases were approximately \$.74 million in sales taxes and \$.14 million in occupancy taxes.
- Governmental activities charges for services decreased approximately \$.55 million from the previous fiscal year. This is primarily due to the decrease in Register of Deeds recording fees. Housing sales have decreased from the previous fiscal year, and thus Register of Deeds fees have decreased approximately \$.45 million or 25.5 %.
- Public Safety expenses increased approximately \$2.12 million from the prior fiscal year. This is due to increased funding for fire and rescue districts in the amount of \$1.01 million and approximately \$1.11 million in the Sheriff's department and emergency management department.
- Education expenses increased approximately \$17.14 million from the prior year due to increases in operation and building renovation expenditures. Payments to the Schools and Community College for operating expenditures increased approximately \$1.36 million and payments for renovation expenditures increased approximately \$15.78 million.
- Human services expenses increased approximately \$.72 million from the previous fiscal year. Most of the increase is due to increases in the Department of Social Services.
- Interest on long-term debt increased approximately \$756,000 from the previous year. The increase was primarily due to paying interest on the \$18.3 million general obligation bonds that were issued in April 2007.

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited)
June 30, 2008

Business-type activities: Business-type activities increased the County's net assets by \$48,993. The primary factor for the increase was due to actual investment earnings that were greater than projected and some expenses such as maintenance and contracted services that were less than anticipated.

The County's Changes in Net Assets

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 5,903,331	\$ 6,450,614	\$ 550,256	\$ 493,342	\$ 6,453,587	\$ 6,943,956
Operating grants and contributions	11,310,278	11,169,428	-	-	11,310,278	11,169,428
Capital grants and contributions	63,694	-	-	146,065	63,694	146,065
General revenues:						
Property taxes	48,592,344	42,377,566	-	-	48,592,344	42,377,566
Other taxes	22,947,844	22,071,528	-	-	22,947,844	22,071,528
Other	4,066,631	3,737,162	33,908	34,025	4,100,539	3,771,187
Total revenues	92,884,122	85,806,298	584,164	673,432	93,468,286	86,479,730
Expenses:						
General government	6,254,064	6,133,328	-	-	6,254,064	6,133,328
Public safety	16,381,281	14,263,740	-	-	16,381,281	14,263,740
Transportation	892,718	979,342	-	-	892,718	979,342
Economic and physical development	4,848,724	5,543,270	-	-	4,848,724	5,543,270
Environmental protection	2,914,590	2,916,754	-	-	2,914,590	2,916,754
Human services	16,656,957	15,939,574	-	-	16,656,957	15,939,574
Cultural and recreation	3,355,687	2,990,410	-	-	3,355,687	2,990,410
Education	47,189,262	30,048,298	-	-	47,189,262	30,048,298
Interest on long-term debt	3,690,063	2,934,102	-	-	3,690,063	2,934,102
Water	-	-	813,171	728,319	813,171	728,319
Total expenses	102,183,346	81,748,818	813,171	728,319	102,996,517	82,477,137
Increase (decrease) in net assets before transfers	(9,299,224)	4,057,480	(229,007)	(54,887)	(9,528,231)	4,002,593
Transfers	(278,000)	(289,000)	278,000	289,000	-	-
Increase (decrease) in net assets	(9,577,224)	3,768,480	48,993	234,113	(9,528,231)	4,002,593
Net assets, July 1,	17,377,462	13,608,982	4,057,648	3,823,535	21,435,110	17,432,517
Net assets, June 30	\$ 7,800,238	\$ 17,377,462	\$ 4,106,641	\$ 4,057,648	\$ 11,906,879	\$ 21,435,110

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.

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited) June 30, 2008

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, unreserved fund balance 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, unreserved and undesignated fund balance of the General Fund was \$23,152,988, while total fund balance reached \$37,599,205. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 32.5 percent of total General Fund expenditures, while total fund balance represents 52.8 percent of that same amount.

At June 30, 2008, the governmental funds of the County reported a combined fund balance of \$64,027,821.

General Fund Budgetary Highlights

During fiscal year 2008, the County's financial picture was good. Revenues exceeded budgeted revenues by \$1.97 million. The \$1.97 million is a combination of higher investment earnings, sales tax growth, intergovernmental revenue was greater than projected, and ad valorem tax base growth. This helped the County to increase its fund balance for the seventh consecutive year and finish 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 \$465,795 and appropriations by \$2,273,687.

As stated above, the actual operating revenues for the General Fund were more than the budgeted amount by \$1.97 million. The County's expenditures were less than the budgeted amount by \$3.45 million, and are mostly due to savings in Medicaid and other human services programs, general government, public safety and economic development.

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 assets of the Water Fund at the end of the fiscal year were \$548,950. The primary factors affecting the finances of this fund were increased investment earnings and various operating expenses that were less than budgeted.

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, 2008, totals \$31,021,356 (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:

- Computer servers and E-911 equipment.
- Park improvements.
- Purchase of vehicles in departments including ten Sheriff Department vehicles.

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited)
June 30, 2008

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	
	2008	2007	2008	2007	2008	2007
Land	\$ 3,857,823	\$ 3,857,823	\$ 52,500	\$ 52,500	\$ 3,910,323	\$ 3,910,323
Buildings	14,902,076	15,765,536	1,789,601	1,860,243	16,691,677	17,625,779
Water lines	-	-	4,672,562	4,869,705	4,672,562	4,869,705
Vehicles	1,070,457	1,036,234	16,148	21,706	1,086,605	1,057,940
Equipment	1,048,199	1,015,587	12,359	17,589	1,060,558	1,033,176
Airport facilities	149,626	203,019	-	-	149,626	203,019
Other improvements	3,429,280	3,474,548	-	-	3,429,280	3,474,548
Construction in progress	20,725	-	-	-	20,725	-
Total	\$ 24,478,186	\$ 25,352,747	\$ 6,543,170	\$ 6,821,743	\$ 31,021,356	\$ 32,174,490

Long-Term Debt. As of June 30, 2008, the County had total bonded debt outstanding of \$59,550,000, 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	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 59,550,000	\$ 63,220,000	\$ -	\$ -	\$ 59,550,000	\$ 63,220,000
Certificate of participation	15,605,000	16,915,000	-	-	15,605,000	16,915,000
Installment note payable	6,367,364	3,500,000	2,985,480	3,156,512	9,352,844	6,656,512
Total long-term debt	\$ 81,522,364	\$ 83,635,000	\$ 2,985,480	\$ 3,156,512	\$ 84,507,844	\$ 86,791,512

The County's governmental debt decreased by \$2,283,668 (excluding deferred amounts) or 2.6% during the past fiscal year. The decrease is due to debt principal payments in the governmental and business-type activities.

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

Moody's Investor Services	Aa3 positive outlook
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.

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited) June 30, 2008

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, 2008 for the County is \$1,398,406,730.

Additional information regarding the County's long-term debt can be found in Note 8 on pages 63 - 68 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, 2008, the unemployment rate for the County averaged 4.74%, compared to the 4.02% for FY 2007. This compares favorably to the state's average unemployment rate of 5.04% for FY 2008. In addition, residential and commercial development continues to grow slightly in the County. This growth along with other revenue growth, such as sales tax, has enabled the County to continue meeting its capital needs and demands for services with minimal tax increases. The County's revaluation was implemented and the adopted 23 cents per \$100 assessed value tax rate was one cent above revenue neutral. The one cent rate increase was necessary to fund School debt service. Prior to revaluation, the County implemented only one two cent tax increase over a five year period that was necessary for School debt service.

Budget Highlights for the Fiscal Year Ending June 30, 2009

Governmental Activities: The County has approved an \$80.07 million general fund budget for fiscal year 2009 which represents a \$1.58 million or 1.90% decrease over fiscal year 2008. The net decrease in the budget is primarily the combination of decreasing transfers to capital funds by \$2.34 million, decreasing \$1.73 million in Medicaid required funding, and increasing education expenses \$1.37 million. Other increases are in general government, transportation, and contingency. The ad valorem tax rate is twenty-three cents; the same rate as fiscal year ending June 30, 2008. Other revenues are budgeted conservatively. The fiscal year 2009 fund balance appropriation for the General Fund is \$720,000.

Education is the largest service area in terms of its portion of total expenditures. Capital and operating education expenditures total \$25,896,900 or 32.3% of the FY 2008 budget. This area includes funding for the public school system and the Carteret County Community College. Budgeted expenditures for public education operating expenses increase of \$1,260,000 will increase the per pupil allocation to \$2,493. School capital funding decreased \$2,119,797 from the previous year. In fiscal year 2008, the Board of Commissioners approved \$2 million financing for school technology funding that is most of the decrease in fiscal year 2009.

In addition, the Board of Commissioners has invested in the County departments for fiscal year 2009. The Board has funded replacing vehicles and capital equipment, investing in parks by funding the development of a new park and increasing water access facilities, and investing in staff. The Board funded ten new positions in various under staffed departments as well as funding merit pay increases.

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.

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Carteret County, North Carolina

Statement of Net Assets
June 30, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 7,420,320	\$ 580,844	\$ 8,001,164
Investments	32,790,995		32,790,995
Receivables (net)	9,745,605	74,788	9,820,393
Due from component unit	239,414	-	239,414
Inventories	-	-	-
Prepaid items	92,056	-	92,056
Restricted assets:			
Cash and investments	21,570,016	-	21,570,016
Deferred charges, debt issuance costs	504,418	-	504,418
Other assets	-	-	-
Capital assets:			
Land, improvements, and construction in progress	3,878,548	52,500	3,931,048
Other capital assets, net of depreciation	20,599,638	6,490,670	27,090,308
Total capital assets	24,478,186	6,543,170	31,021,356
Total assets	96,841,010	7,198,802	104,039,812
Liabilities			
Accounts payable and accrued expenses	3,376,088	21,439	3,397,527
Accrued interest payable	751,299	13,534	764,833
Customer deposits	-	57,440	57,440
Unearned revenue	19,392	-	19,392
Liabilities to be paid from restricted assets	1,954,719	-	1,954,719
Long-term liabilities:			
Due within one year	6,761,470	185,300	6,946,770
Due in more than one year	76,177,804	2,814,448	78,992,252
Total liabilities	89,040,772	3,092,161	92,132,933
Net Assets			
Invested in capital assets, net of related debt	21,792,965	3,557,690	25,350,655
Restricted for:			
Public Safety	2,184,247	-	2,184,247
Economic Development	6,531,865	-	6,531,865
Cultural and Recreation	88,665	-	88,665
Register of Deeds	293,368	-	293,368
Human Services	1,135,530	-	1,135,530
Other purposes	-	-	-
Unrestricted (deficit)	(24,226,402)	548,951	(23,677,451)
Total net assets	\$ 7,800,238	\$ 4,106,641	\$ 11,906,879

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
\$ 165,386	\$ 550,254	\$ 28,465,520	\$ 606,050
-	-	-	-
-	476,648	17,658,131	200
-	-	-	-
-	-	1,922,506	1,415,328
2,686	-	1,416,846	37,743
-	-	5,926,403	-
-	-	-	-
-	-	2,514,695	-
1,091,473	56,757	2,261,148	1,194,464
2,451,086	97,539	37,454,123	2,799,030
<u>3,542,559</u>	<u>154,296</u>	<u>39,715,271</u>	<u>3,993,494</u>
<u>3,710,631</u>	<u>1,181,198</u>	<u>97,619,372</u>	<u>6,052,815</u>
5,897	16,302	6,825,088	1,135,530
-	-	8,640	-
-	-	-	-
-	-	2,272,941	-
-	-	-	-
19,749	3,456	5,214,996	850,371
119,665	10,369	4,368,576	1,475,512
<u>145,311</u>	<u>30,127</u>	<u>18,690,241</u>	<u>3,461,413</u>
3,403,145	154,296	33,424,717	2,058,611
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	476,648	559,259	317,714
162,175	520,127	44,945,155	215,077
<u>\$ 3,565,320</u>	<u>\$ 1,151,071</u>	<u>\$ 78,929,131</u>	<u>\$ 2,591,402</u>

Carteret County, North Carolina

Statement of Activities
Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 6,254,064	\$ 1,917,552	\$ 52,670	\$ -
Public safety	16,381,281	232,885	736,971	-
Transportation	892,718	86,039	315,952	63,694
Economic and physical development	4,848,724	650,171	82,939	-
Environmental protection	2,914,590	2,229,849	342,511	-
Human services	16,656,957	564,816	8,637,735	-
Cultural and recreation	3,355,687	222,019	1,165	-
Education	47,189,262	-	290,335	-
Interest on long-term debt	3,690,063	-	850,000	-
Total governmental activities	102,183,346	5,903,331	11,310,278	63,694
Business-type activities:				
Water	813,171	550,256	-	-
Total primary government	\$ 102,996,517	\$ 6,453,587	\$ 11,310,278	\$ 63,694
Component units:				
Airport Authority	\$ 168,202	\$ 85,980	\$ -	\$ 1,485,250
Tourism Development Authority	2,780,192	2,358,249	150,000	-
Hospital	95,736,674	98,908,529	534,190	-
ABC Board	8,119,408	8,314,826	-	-
Total component units	\$ 106,804,476	\$ 109,667,584	\$ 684,190	\$ 1,485,250
General revenues:				
Taxes:				
Property taxes, levied for general purpose				
Local option sales tax				
Other taxes and licenses				
Unrestricted intergovernmental				
Investment earnings, unrestricted				
Miscellaneous, unrestricted				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets, beginning				
Net assets, ending				

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Assets			Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units			
Governmental Activities	Business-Type Activities	Total	Beaufort - Morehead City Airport Authority	Carteret County Tourism Development Authority	Carteret County General Hospital Corporation	Carteret County ABC Board
\$ (4,283,842)	\$ -	\$ (4,283,842)				
(15,411,425)	-	(15,411,425)				
(427,033)	-	(427,033)				
(4,115,614)	-	(4,115,614)				
(342,230)	-	(342,230)				
(7,454,406)	-	(7,454,406)				
(3,132,503)	-	(3,132,503)				
(46,898,927)	-	(46,898,927)				
(2,840,063)	-	(2,840,063)				
(84,906,043)	-	(84,906,043)				
-	(262,915)	(262,915)				
(84,906,043)	(262,915)	(85,168,958)				
			\$ 1,403,028	\$ -	\$ -	\$ -
			-	(271,943)	-	-
			-	-	3,706,045	-
			-	-	-	195,418
			1,403,028	(271,943)	3,706,045	195,418
48,592,344	-	48,592,344	-	-	-	-
17,531,935	-	17,531,935	-	-	-	-
5,415,909	-	5,415,909	-	-	-	-
665,684	-	665,684	90,850	-	-	-
3,310,752	33,908	3,344,660	2,255	43,829	1,556,719	13,205
90,195	-	90,195	1,000	2,020	195,840	-
(278,000)	278,000	-	-	-	-	-
75,328,819	311,908	75,640,727	94,105	45,849	1,752,559	13,205
(9,577,224)	48,993	(9,528,231)	1,497,133	(226,094)	5,458,604	208,623
17,377,462	4,057,648	21,435,110	2,068,187	1,377,165	73,470,527	2,382,779
\$ 7,800,238	\$ 4,106,641	\$ 11,906,879	\$ 3,565,320	\$ 1,151,071	\$ 78,929,131	\$ 2,591,402

Carteret County, North Carolina

Balance Sheet - Governmental Funds
June 30, 2008

	Governmental Fund Types				
	Major Funds			Total Non-Major Funds	Total Governmental Funds
	General	Occupancy	2006 School		
		Tax Fund	Project Fund		
Assets					
Cash and investments	\$ 32,845,550	\$ 25,755	\$ 153,576	\$ 7,186,434	\$ 40,211,315
Receivables, net	7,521,702	962,926	-	844,739	9,329,367
Restricted cash and cash equivalents	643,984	-	15,073,452	5,852,580	21,570,016
Prepaid expenses	92,056	-	-	-	92,056
Due from other funds	543,284	-	-	-	543,284
Due from component units	239,414	-	-	-	239,414
Total assets	\$ 41,885,990	\$ 988,681	\$ 15,227,028	\$ 13,883,753	\$ 71,985,452
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 2,497,909	\$ 476,648	\$ -	\$ 401,531	\$ 3,376,088
Due to other funds	-	476,648	-	66,636	543,284
Liabilities payable from restricted assets	-	-	1,068,710	886,009	1,954,719
Unearned revenue	19,392	-	-	-	19,392
Deferred revenue	1,769,484	-	-	294,664	2,064,148
Total liabilities	4,286,785	953,296	1,068,710	1,648,840	7,957,631
Fund balances:					
Reserved for Register of Deeds	293,368	-	-	-	293,368
Reserved for Recreation Districts	88,665	-	-	-	88,665
Reserved for Beach Nourishment	5,996,954	-	-	-	5,996,954
Reserved by State statute	6,058,268	-	-	-	6,058,268
Reserved for Sheriff's fund	61,376	-	-	-	61,376
Reserved for Health programs	1,135,530	-	-	-	1,135,530
Reserved for Prepaid expenses	92,056	-	-	-	92,056
Reserved for Special taxing districts	-	-	-	1,147,999	1,147,999
Unreserved:					
Designated for subsequent year's expenditures	720,000	-	-	-	720,000
Designated for subsequent year's expenditures - Special revenue funds	-	-	-	23,160	23,160
Designated for subsequent year's expenditures - Capital projects funds	-	-	14,158,318	5,201,029	19,359,347
Undesignated - General fund	23,152,988	-	-	-	23,152,988
Undesignated - Special revenue funds	-	35,385	-	971,437	1,006,822
Undesignated - Capital projects funds	-	-	-	4,891,288	4,891,288
Total fund balance	37,599,205	35,385	14,158,318	12,234,913	64,027,821
Total liabilities and fund balance	\$ 41,885,990	\$ 988,681	\$ 15,227,028	\$ 13,883,753	\$ 71,985,452

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

Total fund balances for governmental funds	\$ 64,027,821
Capital assets used in governmental activities are financial resources and, therefore are not reported in the funds	24,478,186
Liabilities for earned but deferred revenues in the fund statements	2,064,148
Accrued interest receivable deferred in the fund statements	416,238
Deferred charges for 2004 COPS and 2005 General Obligation refunding Issuance cost	504,418
Accrued interest payable on long-term debt is not a current financial obligation and, therefore, is not in the funds	(751,299)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(82,939,274)
Net assets of governmental activities	\$ 7,800,238

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Funds
Year Ended June 30, 2008

	Governmental Fund Types				
	Major Funds			Total Non-Major Funds	Total Governmental Funds
	General	Occupancy Tax Fund	2006 School Project Fund		
Revenue					
Ad valorem taxes	\$ 43,325,130	\$ -	\$ -	\$ 5,395,506	\$ 48,720,636
Other taxes and licenses	15,812,626	4,774,241	-	2,360,977	22,947,844
Permits and fees	3,079,055	-	-	-	3,079,055
Intergovernmental	11,677,153	-	112,026	250,477	12,039,656
Sales and services	2,650,004	-	-	-	2,650,004
Interest	1,519,179	26,922	1,083,617	681,034	3,310,752
Miscellaneous	267,994	-	-	-	267,994
Total revenue	78,331,141	4,801,163	1,195,643	8,687,994	93,015,941
Expenditures					
Current:					
General government	5,745,169	-	-	-	5,745,169
Public safety	8,939,445	-	-	7,193,113	16,132,558
Transportation	858,646	-	-	-	858,646
Environmental protection	2,900,884	-	-	-	2,900,884
Economic and physical development	2,357,571	2,358,249	-	243,346	4,959,166
Human services	16,391,072	-	-	-	16,391,072
Culture and recreation	3,013,274	-	-	-	3,013,274
Education	21,556,439	-	-	-	21,556,439
Capital outlay	-	-	16,617,987	9,434,515	26,052,502
Debt service:					
Principal retirement	5,922,857	-	-	-	5,922,857
Interest and fees	3,568,542	-	-	-	3,568,542
Total expenditures	71,253,899	2,358,249	16,617,987	16,870,974	107,101,109
Revenue over (under) expenditures	7,077,242	2,442,914	(15,422,344)	(8,182,980)	(14,085,168)
Other financing sources (uses)					
Long-term debt issued	110,221	-	-	3,700,000	3,810,221
Transfer in	2,692,687	-	-	6,714,507	9,407,194
Transfers out	(5,374,989)	(2,415,992)	(1,607,518)	(10,000)	(9,408,499)
Total other financing sources (uses)	(2,572,081)	(2,415,992)	(1,607,518)	10,404,507	3,808,916
Net change in fund balance	4,505,161	26,922	(17,029,862)	2,221,527	(10,276,252)
Fund balances					
Beginning	33,094,044	8,463	31,188,180	10,013,386	74,304,073
Ending	\$ 37,599,205	\$ 35,385	\$ 14,158,318	\$ 12,234,913	\$ 64,027,821

See Notes to Financial Statements.

Carteret County, North Carolina

**Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance to the Statement of Activities - Governmental Funds
Year Ended June 30, 2008**

Amounts reported for governmental activities in the statement of activities are different because:	
Net changes in fund balances - total governmental funds	\$ (10,276,252)
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	1,206,742
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(102,359)
Internal Service Fund is used for self-insured health insurance costs to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets	(92,906)
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	2,055,433
Some expenses including depreciation that are reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	(2,367,882)
Total changes in net assets of governmental activities	\$ (9,577,224)

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund
Year Ended June 30, 2008

	General Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Revenue				
Ad valorem taxes	\$ 43,075,356	\$ 43,098,356	\$ 43,325,130	\$ 226,774
Other taxes and licenses	15,076,000	15,053,000	15,812,626	759,626
Permits and fees	3,729,645	3,787,795	3,079,055	(708,740)
Intergovernmental	10,310,061	10,599,742	11,677,153	1,077,411
Sales and services	2,708,900	2,686,010	2,650,004	(36,006)
Interest	797,000	797,000	1,519,179	722,179
Miscellaneous	199,663	340,517	267,994	(72,523)
Total revenue	75,896,625	76,362,420	78,331,141	1,968,721
Expenditures				
Current:				
General government	5,932,339	6,174,718	5,745,169	429,549
Public safety	8,397,706	9,159,976	8,939,445	220,531
Transportation	697,301	878,985	858,646	20,339
Environmental protection	2,936,692	3,040,755	2,900,884	139,871
Economic and physical development	2,794,428	2,837,001	2,357,571	479,430
Human services	17,258,691	18,021,402	16,391,072	1,630,330
Culture and recreation	3,022,286	3,170,189	3,013,274	156,915
Education	21,715,025	21,734,979	21,556,439	178,540
Debt service:				
Principal retirement	6,040,000	6,048,400	5,922,857	125,543
Interest and fees	3,639,000	3,640,750	3,568,542	72,208
Total expenditures	72,433,468	74,707,155	71,253,899	3,453,256
Revenue over expenditures	3,463,157	1,655,265	7,077,242	5,421,977
Other financing sources (uses)				
Transfers in	2,292,650	2,570,650	2,692,687	122,037
Transfers out	(3,506,000)	(5,374,989)	(5,374,989)	-
Contingency reserves	(2,404,807)	(1,563,350)	-	1,563,350
Loan proceeds	-	110,225	110,221	(4)
Appropriated fund balance	155,000	2,602,199	-	(2,602,199)
Total other financing uses	(3,463,157)	(1,655,265)	(2,572,081)	(916,816)
Revenue over expenditures and other sources (uses)	\$ -	\$ -	4,505,161	\$ 4,505,161
Fund balances				
Beginning			33,094,044	
Ending			<u>\$ 37,599,205</u>	

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Revenue, Expenditures and Changes in Fund Balance -
 Budget and Actual - Occupancy Tax Fund
 Year Ended June 30, 2008

	Occupancy Tax Fund			Variance With Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenue				
Other taxes and licenses:				
Occupancy taxes	\$ 4,520,000	\$ 5,070,000	\$ 4,770,720	\$ (299,280)
Occupancy taxes, penalties and interest	5,000	5,000	3,521	(1,479)
Interest	5,000	5,000	26,922	21,922
Total revenue	4,530,000	5,080,000	4,801,163	(278,837)
Expenditures				
Economic and physical development:				
Tourism:				
Tourism Development Authority	2,237,350	2,509,600	2,358,249	151,351
Total expenditures	2,237,350	2,509,600	2,358,249	151,351
Revenue over expenditures	2,292,650	2,570,400	2,442,914	(127,486)
Other financing uses				
Transfers out	(2,292,650)	(2,570,400)	(2,415,992)	154,408
Total other financing uses	(2,292,650)	(2,570,400)	(2,415,992)	154,408
Revenue over expenditures and other uses	\$ -	\$ -	26,922	\$ 26,922
Fund balances				
Beginning			8,463	
Ending			<u>\$ 35,385</u>	

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Fund Net Assets - Proprietary Fund

June 30, 2008

	Water Fund
Assets	
Current Assets	
Cash and cash equivalents	\$ 580,844
Receivables, net	74,788
Total current assets	<u>655,632</u>
Noncurrent Assets	
Capital assets:	
Land, improvements, and construction in progress	52,500
Other capital assets, net of depreciation	6,490,670
Total capital assets	<u>6,543,170</u>
Total noncurrent assets	<u>6,543,170</u>
Total assets	<u>7,198,802</u>
Liabilities	
Current Liabilities	
Accounts payable and accrued expenses	21,439
Customer deposits	57,440
Accrued interest payable	13,534
Current portion of long-term liabilities	185,300
Total current liabilities	<u>277,713</u>
Long-Term Liabilities	
Installment loan payable	2,814,448
Total long-term liabilities	<u>2,814,448</u>
Total liabilities	<u>3,092,161</u>
Net Assets	
Invested in Capital Assets, net of related debt	3,557,690
Unrestricted	548,951
Total net assets	<u>\$ 4,106,641</u>

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Revenue, Expenses and Changes in Fund Net Assets - Proprietary Funds
Year Ended June 30, 2008

	Water Fund	Internal Service Fund
Operating revenues		
Charges for services	\$ 550,256	\$ 17,578
Total operating revenues	550,256	17,578
Operating expenses		
Water plant operations	432,492	-
Depreciation	294,277	-
Health insurance claims	-	(166,211)
Total operating expenses	726,769	(166,211)
Operating income (loss)	(176,513)	183,789
Nonoperating revenues (expenses)		
Interest revenue	33,908	-
Other	-	-
Interest expense	(86,402)	-
Total nonoperating revenues (expenses)	(52,494)	-
Income (loss) before transfers	(229,007)	183,789
Transfers in	278,000	-
Transfers out	-	(276,695)
Change in net assets	48,993	(92,906)
Total net assets		
Beginning	4,057,648	92,906
Ending	\$ 4,106,641	\$ -

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2008

	Water Fund	Internal Service Fund
Cash Flows From Operating Activities		
Cash received from customers	\$ 508,165	\$ 17,578
Cash paid for goods and services	(229,390)	(305,089)
Cash paid to employees for services	(163,614)	-
Customer deposits received	3,935	-
Net cash provided (used) by operating activities	119,096	(287,511)
Cash Flows From Noncapital Financing		
Transfers in	278,000	-
Transfers out	-	(276,695)
Net cash provided (used) by noncapital financing	278,000	(276,695)
Cash Flows From Capital and Related Financing Activities		
Principal paid on installment debt and capital lease	(171,032)	-
Interest paid on installment debt and capital lease	(87,203)	-
Acquisition and construction of capital assets	(15,704)	-
Net cash used in capital and related financing activities	(273,939)	-
Cash Flows Provided By Investing Activities		
Interest on investments	33,908	-
Net increase (decrease) in cash and cash equivalents	157,065	(564,206)
Cash and cash equivalents:		
Beginning	423,779	564,206
Ending	\$ 580,844	\$ -

(Continued)

Carteret County, North Carolina

Statement of Cash Flows - Proprietary Funds (Continued)

Year Ended June 30, 2008

	Water Fund	Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash		
Provided (Used) By Operating Activities		
Operating income (loss)	\$ (176,513)	\$ 183,789
Adjustments to reconcile operating income (loss) to net cash		
provided (used) by operating activities:		
Depreciation	294,277	-
Provision for uncollectible accounts	51,060	-
Changes in assets and liabilities:		
Increase in accounts receivable	(40,236)	-
Decrease in accounts payable and accrued liabilities	(18,238)	(471,300)
Increase in customer deposits	3,935	-
Increase in accrued vacation pay	4,811	-
Net cash provided (used) by operating activities	\$ 119,096	\$ (287,511)

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Fiduciary Assets and Liabilities - Fiduciary Funds
June 30, 2008

	Agency Funds
<hr/>	
Assets	
Cash and cash equivalents	<u>\$ 97,250</u>
Liabilities	
Accounts payable and accrued liabilities	<u>\$ 97,250</u>

See Notes to Financial Statements.

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Notes to Financial Statements

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

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Carteret County, North Carolina

Notes to Financial Statements

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

Nature of operations

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

Reporting entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component units; legally separate entities for which the County is financially accountable. The discretely presented component units presented below are reported in separate columns in the County's government-wide financial statements in order to emphasize that they are legally separate from the County.

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

Beaufort - Morehead City Airport Authority: The Beaufort - Morehead City Airport Authority 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 Authority board members. The Authority 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 Authority nor remove board members of the Authority. However, the Authority 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, North Carolina

Notes to Financial Statements

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

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, Highway 101 East, Beaufort, NC 28516
- Carteret County Tourism Development Authority, 3409 Arendell Street, Morehead City, NC 28557
- Carteret County General Hospital Corporation, PO Box 1619, Morehead City, NC 28557
- Carteret County ABC Board, 410 Live Oak Street, Beaufort, NC 28516

The following corporation is included as a blended component:

County of Carteret Public Facilities Financing Corporation: The County of Carteret Public Facilities Financing 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 at June 30, 2008.

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. 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.

Notes to Financial Statements

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

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.

Fund financial statements: The fund financial statements provide information about the County's funds. 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.

2006 School Bond Project Fund: This fund is used to account for financial resources to be used for various construction projects which include building expansions and extensive renovations to our public schools.

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:

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 within the Department of Social Services for the benefit of various clients, and 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 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.

Carteret County, North Carolina

Notes to Financial Statements

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

Measurement focus and basis of accounting

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

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

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

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

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

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

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

Carteret County, North Carolina

Notes to Financial Statements

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 2007 through February 2008 apply to the fiscal year ended June 30, 2008. 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. Intergovernmental revenues, and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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 occupancy tax fund, the special revenue funds (excluding 2004 CDBG Scattered Site, 2006 CDBG SSH Program, 2006 CDBG Water Connection Program, 2006 Hazardous Mitigation Grant Program, 2005 CDBG Program), the capital projects funds (excluding the Carteret Community College Renovation Fund, the Morehead Elementary School Fund, the School Capital Projects Fund and the East Carteret High School Building 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.

Carteret County, North Carolina

Notes to Financial Statements

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 object 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.

Deposits and investments: All deposits of the County, Carteret General Hospital Corporation ("Hospital"), Carteret County ABC Board ("ABC Board"), Carteret County Tourism Development Authority ("TDA"), and Beaufort-Morehead City Airport Authority ("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 statute [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 nonmoney-market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an 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 month. 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.

Carteret County, North Carolina

Notes to Financial Statements

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

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.

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 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, 2007 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 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. The County and Airport Authority utilize the consumption method for prepaid items.

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.

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, other than the water system, amount 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. Also, the County has elected not to capitalize interest costs as a component of the cost of capital assets constructed for its use in governmental activities.

Carteret County, North Carolina

Notes to Financial Statements

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

The County holds title to certain Carteret County 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 Carteret County Board of Education. Revenues and expenditures related to these construction projects are reflected in governmental funds financial statements of Carteret County during the duration of construction.

Capital assets of the Hospital, the ABC Board 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 Airport Authority does not own any land but utilizes facilities provided by the County. All Airport land is owned by the County and is included in the government-wide financial statements as assets of the County. 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:

	<u>Useful Lives</u>
Buildings and improvements	10 - 40 years
Furniture and equipment	4 - 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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
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; and vehicles 7 years.

Carteret County, North Carolina

Notes to Financial Statements

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

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, 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 Airport, TDA, 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 LIFO basis, assuming that employees are taking time as it is earned.

The sick leave policies of the County, the Airport, TDA, 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 Governmental Accounting Standards Board 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.

Carteret County, North Carolina

Notes to Financial Statements

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

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: Fund balances are recognized in the governmental funds financial statements. Reservations or restrictions of fund balances represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts the appropriation of fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental funds classify fund balances as follows:

Reserved

- Reserved for Register of Deeds — portion of fund balance constituting the Automation Enhancement and Preservation Fund, funded by 10% of the fees collected and maintained by the register of deeds office. The funds are available for appropriation but are legally restricted for computer and imaging technology in the register of deeds office.
- Reserved for Recreation Districts — represents amounts restricted for specific recreation purposes.
- Reserved for Beach Nourishment — represents amount reserved for beach nourishment.
- Reserved by State statute — portion of fund balance not available for appropriation after remaining reserves not available for appropriation have been segregated [G.S. 159-8(a)]. This generally includes accounts receivable and amounts due from other funds, which are not offset by deferred revenues.
- Reserved for Sheriff's fund — represents amounts restricted for expenditures relating to special drug programs and concealed weapons programs.
- Reserved for Health programs — represents amounts restricted to expenditures in specific health programs.
- Reserved for prepaid expenses- represents amounts restricted due to payments to vendors applicable for future accounting period costs
- Reserved for Special taxing districts – represents amounts restricted to expenditures for special rescue and fire taxing districts.

Unreserved

- Designated for subsequent year's expenditures — portion of total fund balance available for appropriation that has been designated for the adopted 2008-2009 budget ordinance.
- Undesignated — portion of total fund balance available for appropriation, which is uncommitted at June 30, 2008.

Carteret County, North Carolina

Notes to Financial Statements

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

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 (\$56,227,583) consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	\$ 47,014,863
Less accumulated depreciation	22,536,677
Net capital assets	24,478,186
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are not available and therefore deferred in the fund statements	416,238
Deferred charges for COPS Issuance costs and General Obligation Issuance costs	504,418
Liabilities for revenue deferred but earned therefore recorded in the fund statements but not in the government-wide statements	2,064,148
Accrued interest is not due and payable in the current period and therefore is not reported in the funds	(751,299)
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	(81,522,364)
Premiums on refundings	(1,251,312)
Deferred charges	27,533
Discount on refundings	1,002,623
Compensated absences	(993,240)
Accrued net pension obligation	(202,514)
Total adjustment	\$ (56,227,583)

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 \$699,028 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 1,206,742
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	(2,077,776)
General Obligation Debt issued (including Bond Premium) includes installment issuance	(3,810,221)
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 charge	5,922,857
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(162,302)
Long-term net pension obligations are accrued in the government-wide statements but not in the fund statements because they do not use current resources	3,531
Increase in interest payable on long-term debt at June 30, 2008	(101,874)
Internal service fund is used for self-insured health insurance costs to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets	(92,906)
Sale of capital assets	25,933
Costs on disposal of capital assets	(29,460)
Amortization expense	(57,204)
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, 2007	(1,982,764)
Recording of tax receipts deferred in the fund statements as of June 30, 2008	2,064,148
Decrease in accrued interest on taxes receivable for year ended June 30, 2008	(209,676)
Total adjustment	\$ 699,028

Carteret County, North Carolina

Notes to Financial Statements

Note 2. Cash and Investments

Cash on hand:

The County had \$1,720 in petty cash on hand at June 30, 2008.

Component unit information:

Carteret County General Hospital had \$2,645 in cash on hand at September 30, 2007.

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, 2008, the County's deposits had a carrying amount of \$11,898,733 and a bank balance of \$12,671,076. Of the bank balance, \$800,000 was covered by federal depository insurance and \$11,871,076 was covered by collateral held under the Pooling Method. Restricted cash in the amount of \$3,802,039 was being held in noninterest-bearing deposits for banking services in the amount of \$531,039, \$2,217,847 for capital projects, and the remaining \$1,053,153 is restricted for fire and rescue special taxing districts.

Carteret County, North Carolina

Notes to Financial Statements

Note 2. Cash and Investments (Continued)

Component unit information:

At June 30, 2008, the carrying amount of deposits for Tourism and Development Authority was \$235,171 and the bank balance was \$525,519. Of the bank balance of the Authority, \$100,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

At June 30, 2008, the carrying amount of deposits for Beaufort-Morehead City Airport Authority was \$165,386 and the bank balance was \$166,631. Of the bank balance, \$100,000 was covered by federal depository insurance, and \$66,631 was in accounts covered by collateral held under the pooling method.

At September 30, 2007, the carrying amount of the Hospital's deposits was \$34,391,923 and the bank balance was \$34,914,978. Of the bank balance, \$400,000 was covered by federal depository insurance and the remainder is collateralized by the dedicated method or under the pooling method.

At June 30, 2008, the carrying amount of deposits for Carteret County ABC Board was \$598,950 and the bank balance was \$529,912. All of the bank balance was covered by federal depository insurance.

Investments:

At June 30, 2008, the County had the following investments and maturities.

Investment Type	Fair Value	Less Than			
		1 Year	1-3 Years	3-9 Years	10-15 Years
US Treasury	\$ 1,000,630	\$ -	\$ 1,000,630	\$ -	\$ -
US Government Agencies	15,112,671	1,692,846	512,735	4,020,000	8,887,090
NC Capital Management Trust Cash Portfolio	34,068,219	N/A	N/A	N/A	N/A
NC Capital Management Trust Term Portfolio	377,452	377,452	-	-	-
Total	\$ 50,558,972	\$ 2,070,298	\$ 1,513,365	\$ 4,020,000	\$ 8,887,090

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 fifteen years.

Carteret County, North Carolina

Notes to Financial Statements

Note 2. Cash and Investments (Continued)

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, 2008, the County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2008. 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 Agencies (Federal Home Loan Bank and Federal Farm Credit Bank) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

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

Concentration of Credit Risk. The County places no limit on the amount that the County may invest in any one issuer. More than 5 percent of the County's investments are in each of the following: Federal Home Loan Bank securities \$3,491,805 (6.91%), Federal National Mortgage Association \$3,107,324 (6.15%), Federal Home Loan Mortgage \$4,561,662 (9.02%), and Federal Farm Credit Bank \$3,951,880 (7.82%). 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, 2008, the County had restricted investments of \$17,767,977. In the Capital Projects Funds there are restricted investments of \$66 for the construction of the Newport Middle School, \$317 for the construction of Beaufort Elementary School and \$17,654,650 for the expansions and renovations to our public schools as outlined in the 2006 School GO Bond, and \$112,944 for Qualified Zone Academy Bond debt service.

Component unit information

At June 30, 2008, the TDA had investments in the North Carolina Capital Management Trust which are exempt from risk categorization because the Authority does not own any identifiable security but is a shareholder of a percentage of the fund.

	Reported	
	Value	Fair Value
North Carolina Capital Management Trust	<u>\$ 315,083</u>	<u>\$ 315,083</u>

Carteret County, North Carolina

Notes to Financial Statements

Note 3. Receivables

Receivables at the government-wide level are comprised of the following major categories as of June 30, 2008:

	Governmental Activities	Business-Type Activity, Water	Total
Receivables:			
Interest	\$ 416,238	\$ -	\$ 416,238
Taxes	2,413,988	-	2,413,988
Accounts	350,283	125,848	476,131
Intergovernmental	5,982,158	-	5,982,158
Other	1,264,089	-	1,264,089
Gross receivables	10,426,756	125,848	10,552,604
Less allowance for uncollectibles	(681,151)	(51,060)	(732,211)
Net total receivables	\$ 9,745,605	\$ 74,788	\$ 9,820,393

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
2004	\$ 162,244	\$ 53,135	\$ 215,379
2005	169,759	40,318	210,077
2006	178,627	26,347	204,974
2007	147,573	8,485	156,058
Total	\$ 658,203	\$ 128,285	\$ 786,488

Component unit information

The Carteret County General Hospital Corporation receivables are net of an allowance for doubtful accounts in the amount of \$7,287,000. Approximately 59% of the Hospital's revenue is from the Medicare and Medicaid programs.

Carteret County, North Carolina

Notes to Financial Statements

Note 4. Capital Assets

The following is a summary of changes in the County's capital assets during the fiscal year:

	Capital Assets July 1, 2007	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2008
Governmental activities:					
Capital assets, not being depreciated:					
Land, airport	\$ 169,549	\$ -	\$ -	\$ -	\$ 169,549
Land, other	3,688,274	-	-	-	3,688,274
Construction in progress	-	20,725	-	-	20,725
Total capital assets not being depreciated	3,857,823	20,725	-	-	3,878,548
Capital assets, being depreciated:					
Buildings	27,229,668	-	-	-	27,229,668
Vehicles	3,755,093	479,663	(405,517)	-	3,829,239
Equipment	4,059,925	456,900	(5,100)	-	4,511,725
Airport facilities	1,524,747	-	-	-	1,524,747
Other improvements	5,791,482	249,454	-	-	6,040,936
Total capital assets being depreciated	42,360,915	1,186,017	(410,617)	-	43,136,315
Less accumulated depreciation for:					
Buildings	11,464,132	863,460	-	-	12,327,592
Vehicles	2,718,859	441,913	(401,990)	-	2,758,782
Equipment	3,044,338	424,288	(5,100)	-	3,463,526
Airport facilities	1,321,728	53,393	-	-	1,375,121
Other improvements	2,316,934	294,722	-	-	2,611,656
Total accumulated depreciation	20,865,991	\$ 2,077,776	\$ (407,090)	\$ -	22,536,677
Total capital assets, being depreciated, net	21,494,924				20,599,638
Governmental activity capital assets, net	\$ 25,352,747				\$ 24,478,186

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

Governmental activities:	
General government	\$ 496,078
Public Safety	735,395
Transportation	110,895
Economic & Physical Development	10,166
Human Services	338,704
Culture & Recreation	344,113
Environmental Protection	42,425
Total depreciation expense - governmental activities	\$ 2,077,776

Carteret County, North Carolina

Notes to Financial Statements

Note 4. Capital Assets (Continued)

	Capital Assets July 1, 2007	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2008
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 52,500	\$ -	\$ -	\$ -	\$ 52,500
Total capital assets, not being depreciated	52,500	-	-	-	52,500
Capital assets, being depreciated:					
Buildings	2,119,264	-	-	-	2,119,264
Infrastructure	6,067,683	15,704	-	-	6,083,387
Vehicles	27,792	-	-	-	27,792
Equipment	47,470	-	-	-	47,470
Total capital assets being depreciated	8,262,209	15,704	-	-	8,277,913
Less accumulated depreciation for:					
Buildings	259,021	70,642	-	-	329,663
Infrastructure	1,197,978	212,847	-	-	1,410,825
Vehicles	6,086	5,558	-	-	11,644
Equipment	29,881	5,230	-	-	35,111
Total accumulated depreciation	1,492,966	\$ 294,277	\$ -	\$ -	1,787,243
Total capital assets being depreciated, net	6,769,243				6,490,670
Business-type activities capital assets, net	\$ 6,821,743				\$ 6,543,170

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, 2007:

	Balance September 30, 2006	Additions	Retirements	Balance September 30, 2007
Capital assets:				
Nondepreciable capital assets:				
Construction in progress	\$ 270,139	\$ 1,019,071	\$ (1,201,424)	\$ 87,786
Land	2,173,362	-	-	2,173,362
	2,443,501	1,019,071	(1,201,424)	2,261,148
Depreciable capital assets:				
Land improvements	1,092,141	-	-	1,092,141
Buildings and improvements	25,604,149	176,204	(1,606)	25,778,747
Equipment	38,580,634	4,715,344	(137,605)	43,158,373
	65,276,924	4,891,548	(139,211)	70,029,261
Total capital assets at historical costs	67,720,425	5,910,619	(1,340,635)	72,290,409
Less accumulated depreciation:				
Land improvements	630,302	47,285	-	677,587
Buildings and improvements	7,934,378	919,395	(1,365)	8,852,408
Equipment	19,245,716	3,883,204	(83,777)	23,045,143
Total accumulated depreciation	27,810,396	4,849,884	(85,142)	32,575,138
Capital assets, net	\$ 39,910,029	\$ 1,060,735	\$ (1,255,493)	\$ 39,715,271

Carteret County, North Carolina

Notes to Financial Statements

Note 4. Capital Assets (Continued)

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, 2008:

Land	\$	1,194,464
Buildings		2,589,185
Furniture and equipment		1,100,821
Leasehold improvements		144,927
Building improvements		112,352
		<u>5,141,749</u>
Less accumulated depreciation		1,148,255
	\$	<u><u>3,993,494</u></u>

The following is a summary of the Beaufort – Morehead City Airport Authority's capital assets at June 30, 2008:

Construction in progress	\$	1,091,473
Aviation easement		577,000
Equipment		101,076
Hangers		140,000
Other improvements		1,907,519
		<u>3,817,068</u>
Less accumulated depreciation		274,509
	\$	<u><u>3,542,559</u></u>

The following is a summary of the Carteret County Tourism and Development Authority's capital assets at June 30, 2008:

Buildings	\$	67,069
Other improvements		56,757
Equipment		126,544
Vehicles and motorized equipment		20,286
		<u>270,656</u>
Less accumulated depreciation		116,360
	\$	<u><u>154,296</u></u>

Carteret County, North Carolina

Notes to Financial Statements

Note 5. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at the government-wide level at June 30, 2008, were as follows:

	Vendors	Salaries and Benefits	Total
Governmental activities:			
General	\$ 1,662,699	\$ 835,210	\$ 2,497,909
Occupancy Tax Fund	476,648	-	476,648
2006 School Project Fund	1,068,710	-	1,068,710
Other governmental	1,286,170	1,370	1,287,540
Total governmental activities (1)	\$ 4,494,227	\$ 836,580	\$ 5,330,807
Business-type activities:			
Water	\$ 10,884	\$ 10,555	\$ 21,439
Total business - type activities	\$ 10,884	\$ 10,555	\$ 21,439

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

Note 6. 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 is composed of the following elements:

	Deferred Revenue	Unearned Revenue
Prepaid taxes not yet earned (General)	\$ -	\$ 19,392
Taxes receivable, net (General)	1,438,172	-
Taxes receivable, net (Special Revenue)	294,664	-
Solid waste fees (General)	331,312	-
Total	\$ 2,064,148	\$ 19,392

Carteret County, North Carolina

Notes to Financial Statements

Note 7. 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. 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 since 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.

Carteret General 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 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 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 Airport Authority 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.

Carteret County, North Carolina

Notes to Financial Statements

Note 8. 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. 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 general obligation bonds payable at June 30, 2008 are comprised of the following individual issues:

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%	\$ 6,400,000
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%	14,850,000
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%	20,700,000
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%	17,600,000
	<u>\$ 59,550,000</u>

Annual debt service requirements to maturity for general obligation bonds as of June 30, 2008, are as follows:

Year Ending June 30,	Principal	Interest
2009	\$ 3,630,000	\$ 2,557,385
2010	3,590,000	2,431,235
2011	3,585,000	2,269,235
2012	3,625,000	2,107,485
2013	3,770,000	1,943,735
2014-2018	19,550,000	7,252,240
2019-2023	13,750,000	3,369,563
2024-2027	8,050,000	824,450
	<u>\$ 59,550,000</u>	<u>\$ 22,755,328</u>

Certificates of Participation

The County issues Certificates of Participation to finance the construction of capital facilities used for general government activities. These obligations are serviced by the General Fund.

Carteret County, North Carolina

Notes to Financial Statements

Note 8. Long-Term Obligations (Continued)

2002 certificates of participation due on December 1 and June 1 in varying installments through June 1, 2022, interest at 4.23% collateralized by the Western Library and the Beaufort Elementary School	\$ 6,905,000
2000 certificates of participation due on June 1 in varying installments through June 1, 2020, interest at 5.52% collateralized by the Newport Middle School	8,700,000
	<u>\$ 15,605,000</u>

Annual debt service requirements to maturity for certificates of participation as of June 30, 2008, are as follows:

Year Ending June 30,	Principal	Interest
2009	\$ 1,310,000	\$ 756,834
2010	1,310,000	700,115
2011	1,305,000	642,665
2012	1,305,000	583,940
2013	1,300,000	524,128
2014-2018	5,850,000	1,730,089
2019-2022	3,225,000	332,769
	<u>\$ 15,605,000</u>	<u>\$ 5,270,540</u>

The County has entered into various installment-financing agreements for equipment and capital improvements.

Governmental activities (serviced by the General Fund):

Renovations of building purchased for health center for 10 consecutive annual installments, beginning in fiscal year 2002-2003, including interest at 4.19%	\$ 1,200,000
Renovations of Morehead Elementary School for 15 consecutive annual debt service fund installments beginning fiscal year 2007-2008	2,000,000
Construction and renovations to Carteret Community College buildings for 7 consecutive annual installments, beginning in fiscal year 2007-2008, including interest at 4.260%	1,457,143
Technology improvements for Carteret County Schools for 5 consecutive annual installments, beginning in fiscal year 2007-2008, including interest at 4.420%	1,600,000
Technology improvements for Carteret County Emergency Management for 36 consecutive monthly installments, beginning in fiscal year 2008-2009, including interest at 6.58%	110,221
Business-type activities (serviced by the Water Fund)	
Construction of water treatment and distribution facilities for 19 consecutive annual installments, beginning in fiscal year 2004-2005, including interest at 5.75%	465,480
Construction of Phase II Waterline extension for 20 consecutive annual installments, beginning in fiscal year 2005 - 2006, including interest at 2.205%	2,520,000
	<u>\$ 9,352,844</u>

Carteret County, North Carolina

Notes to Financial Statements

Note 8. Long-Term Obligations (Continued)

Annual debt service requirements to maturity for installment financing at June 30, 2008 are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 977,215	\$ 189,303	\$ 171,032	\$ 82,331	\$ 1,148,247	\$ 271,634
2010	979,545	146,468	171,032	77,460	1,150,577	223,928
2011	982,032	103,293	171,032	72,588	1,153,064	175,881
2012	942,857	61,287	171,032	67,717	1,113,889	129,004
2013	242,857	20,691	171,032	62,846	413,889	83,537
2014-2018	242,858	10,345	855,160	241,159	1,098,018	251,504
2019-2023	2,000,000	-	855,160	119,375	2,855,160	119,375
2024-2027	-	-	420,000	18,522	420,000	18,522
	<u>\$ 6,367,364</u>	<u>\$ 531,387</u>	<u>\$ 2,985,480</u>	<u>\$ 741,998</u>	<u>\$ 9,352,844</u>	<u>\$ 1,273,385</u>

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2008:

	Beginning Balance June 30, 2007	Additions	Retirements	Ending Balance June 30, 2008	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 63,220,000	\$ -	\$ 3,670,000	\$ 59,550,000	\$ 3,630,000
Certificates of participation	16,915,000	-	1,310,000	15,605,000	1,310,000
Less deferred amounts:					
Advance refunding charge	(1,134,997)	-	(132,374)	(1,002,623)	-
Issuance premiums	436,244	-	23,002	413,242	-
Issuance discounts	(34,416)	-	(6,883)	(27,533)	-
Premium on refunding	934,677	-	96,607	838,070	-
Total bonds payable	80,336,508	-	4,960,352	75,376,156	4,940,000
Installment purchase obligations	3,500,000	3,810,221	942,857	6,367,364	977,215
Compensated absences	830,938	1,069,544	907,242	993,240	844,255
Separation allowance pension obligations	206,045	22,665	26,196	202,514	-
Governmental activity long-term liabilities	\$ 84,873,491	\$ 4,902,430	\$ 6,836,647	\$ 82,939,274	\$ 6,761,470
Business-type activities:					
Installment purchase obligations	\$ 3,156,512	\$ -	\$ 171,032	\$ 2,985,480	\$ 171,032
Compensated absences	9,457	13,332	8,521	14,268	14,268
Business-type activity long-term liabilities	\$ 3,165,969	\$ 13,332	\$ 179,553	\$ 2,999,748	\$ 185,300

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.

Carteret County, North Carolina

Notes to Financial Statements

Note 8. Long-Term Obligations (Continued)

At June 30, 2008, Carteret County had bonds authorized but unissued of \$9,710,000 and a legal debt margin as of June 30, 2008 amounts to \$1,398,406,730.

Component unit information:

The Hospital has a note payable with a bank, payable in consecutive equal annual payments of \$600,000 plus accrued interest at 4.19% due September 2011. The note is collateralized by a deed of trust on certain buildings. At September 30, 2007, the outstanding balance on the note was \$2,400,000.

Scheduled principal repayments are as follows:

Year Ending September 30,	Amount
2008	\$ 600,000
2009	600,000
2010	600,000
2011	600,000
	<u>\$ 2,400,000</u>

The Tourism and Development Authority had accrued compensated absences as a long-term debt at June 30, 2008 in the amount of \$13,825.

The ABC Board's notes payable includes a \$250,000 revolving line of credit with First Citizens Bank, interest payable on varying dates based on a fixed rate of 5.50% for a tax exempt status. The outstanding balance on this line of credit was \$192,000 and \$0 at June 30, 2008 and 2007, respectively. 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 notes payable includes a \$250,000 revolving line of credit with Branch Banking & Trust, interest payable on varying dates based on a fixed rate of 5.00% for a tax exempt status. The outstanding balance on this line of credit was \$199,000 and \$0 at June 30, 2008 and 2007, respectively. 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.

Carteret County, North Carolina

Notes to Financial Statements

Note 8. Long-Term Obligations (Continued)

ABC Board long-term debt is summarized as follows:

Installment loan payable in the loan amount of \$389,000 payable in monthly payments of interest only at 4.55%. Balance and all unpaid interest there on shall be due December 1, 2008. Secured by real estate	\$ 386,000
Installment loan payable in the loan amount of \$748,000 with interest payable at 4.55% monthly. Repayment terms call for a 9 month interest only future advance line of credit. Upon completion of the new Cape Carteret location, the outstanding loan will term over to a 15 year amortization with 59 consecutive monthly payments and one balloon payment of unpaid principal and interest	242,437
Installment loan payable in the loan amount of \$483,780 payable in monthly installments of \$3,701 including interest at 4.50%, due April 4, 2022. Secured by real estate	347,318
Installment loan payable in the loan amount of \$995,000 with interest payable at 4.71% monthly. Repayment terms call for a 12 month interest only future advance line of credit. Upon completion of the new Beaufort location, the outstanding loan will term over to a 15 year amortization with 59 consecutive monthly payments and one balloon payment of unpaid principal and interest	959,128
	1,934,883
Less current maturities	459,371
Long-term debt	\$ 1,475,512

Aggregate maturities of the ABC Board's long-term debt are as follows:

Year Ending	Amount
June 30,	
2009	\$ 459,371
2010	76,849
2011	80,492
2012	832,765
2013	160,184
2014 and thereafter	325,222
	\$ 1,934,883

The Beaufort-Morehead City Airport Authority entered into an installment purchase contract with Carteret County to finance the purchase of a hangar. The contract requires monthly payments of \$1,220 each 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 each including interest at 3.98% per annum, beginning in November 2004 and is collateralized by an assignment of rents by the Authority to the County.

Carteret County, North Carolina

Notes to Financial Statements

Note 8. Long-Term Obligations (Continued)

The future minimum debt service payments for the installment purchase contract as of June 30, 2008, including \$18,538 of interest, are as follows:

Year Ending June 30,	Amount
2009	\$ 24,940
2010	24,940
2011	24,940
2012	24,940
2013	24,940
2014 - 2015	33,252
	<u>\$ 157,952</u>

Component unit, lease commitments

Carteret County General Hospital has several capital lease obligations for certain medical equipment at September 30, 2007. The leases expire at various dates through December 2012 and have a present value of minimum lease payments of \$3,890,554.

Minimum annual lease payments for years subsequent to September 30, 2007 are as follows:

Year Ending September 30,	Capital Leases
2008	\$ 1,520,579
2009	1,286,013
2010	675,762
2011	546,102
2012	270,317
2013	10,245
Total minimum lease payments	<u>4,309,018</u>
Less amount representing interest 3.58% - 8.69%	418,464
Present value of net minimum lease obligations	<u>3,890,554</u>
Less current maturities	1,321,978
Obligations under capital leases, less current maturities	<u>\$ 2,568,576</u>

Assets under capital leases had a cost basis of \$6,536,748 at September 30, 2007 and accumulated depreciation on these assets was \$2,646,193 at September 30, 2007.

Carteret County, North Carolina

Notes to Financial Statements

Note 9. 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 Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report ("CAFR") for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, 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 4.91% and 4.86%, respectively, of annual covered payroll. The ABC Board's current rate for employees not engaged in law enforcement and for law enforcement officers is 4.80% and 4.72%, 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, 2008, 2007, and 2006 were \$660,552, \$616,966 and \$583,636, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2008, 2007, and 2006 were \$30,121, \$25,941 and \$25,049, respectively. The contribution 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, 2007, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan member entitled to but not yet receiving benefits	-
Active plan members	52
Total	54

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

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Retirement Systems (Continued)

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.

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, 2006 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.5% to 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. 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, 2006 was 24 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	\$ 33,630
Interest on net pension obligation	13,989
Adjustment to annual required contribution	(11,856)
Annual pension cost	35,763
Employer contributions made for fiscal year ended June 30, 2008	26,196
Increase in net pension obligation	9,567
Net pension obligation, beginning of fiscal year	192,947
Net pension obligation, end of fiscal year	\$ 202,514

3 Year Trend Information

Actuarial Valuation Date	Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
12/31/2004	06/30/2006	\$ 32,346	0.00%	\$ 175,452
12/31/2006	06/30/2007	30,593	42.81%	192,947
12/31/2007	06/30/2008	35,763	73.25%	202,514

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Retirement Systems (Continued)

4. Funded Status and Funding Progress.

As of December 31 2007, 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 \$330,143. The covered payroll (annual payroll of active employees covered by the plan) was \$1,683,212, and the ratio of the UAAL to the covered payroll was 19.61 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.

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. 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, 2008 were \$121,659, which consisted of \$80,671 from the County and \$40,988 from law enforcement officers. Contributions from the ABC Board for June 30, 2008 consisted of \$2,201 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, 2008 were \$949,391, which consisted of \$592,519 from the County and \$356,872 from the employees.

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Retirement Systems (Continued)

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, 2008, the County's required and actual contributions were \$10,103.

Carteret County General Hospital Corporation Pension Plan

The Hospital provides pension benefits for substantially all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan requires that the Hospital contribute an amount equal to 7% of the employee's base salary at the end of each plan year. The Hospital's contributions for each employee (and plan earnings allocated to the employee's account) are fully vested after five years' continuous service. Hospital contributions for, and plan earnings forfeited by, employees who leave employment before five years of service are used to reduce the Hospital's current-period contribution requirement.

Contributions for years ended September 30, 2007 and 2006 totaled \$2,104,672 and \$2,066,845, respectively.

Carteret County Tourism Development Authority Retirement Plan

The Authority has set up a simplified employee pension - Individual Retirement Account for each of its full-time employees who have completed one year of employment. The Authority contribution is four percent of salary for qualifying employees. The Authority's contribution amount for the fiscal year ended June 30, 2008 was \$6,575.

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 Board has elected to make matching contributions to the 401 (k) plan on behalf of participating employees up to 3% of their eligible wages. The Board made matching contributions to the plan for years ended June 30, 2008 and 2007 totaling \$28,310 and \$19,151, respectively.

Carteret County, North Carolina

Notes to Financial Statements

Note 10. Public School Building Capital Fund

This program is funded using a portion of the corporate income taxes which are imposed on corporations doing business in the State, as well as up to a portion of the total proceeds from the North Carolina Education Lottery as described below. The Office of State Budget and Management establish and maintain an average daily membership ("ADM") allocation account for the County for these funds.

Corporate income tax funds are allocated to Carteret County, on the basis of the ADM for Carteret County Board of Education as determined and certified by the State Board of Education. This allocation is computed as the amount equal to five sixty-ninths (5/69) of the net collections of corporate income taxes received during the previous quarter minus \$2.5 million, which it deposits into the Critical School Facilities Needs Fund. At June 30, 2008, the balance of the County's ADM allocation account related to corporate income taxes was \$617,466. The County must match this balance on the basis of one dollar for every three dollars of State funds for financing the school unit's facilities capital needs. The local school technology plan does not require a County match. After approving a school capital project authorized by the Act, the Office of State Budget and Management will transfer funds from the County's ADM allocation account to its disbursing account maintained with the State Treasurer. At June 30, 2008, the County's disbursing account did not have any funds.

Funds in the allocation and disbursing accounts are considered State moneys until the County issues warrants to disburse them. At that time, they are recognized in the County's Debt Service Fund as intergovernmental revenue. During the fiscal year ended June 30, 2008, the County drew down \$450,000 of public school building capital funds.

Of the 35% of the proceeds of the North Carolina Education Lottery sales designated for education, approximately 40% is designated for school construction, broken down as follows: 65% allocated to counties based on the ADM of school districts and 35% allocated to counties which have a property tax rate above the state average (numerical average of all one hundred counties), which Carteret did not exceed for the year ending June 30, 2008. As of June 30, 2008, the County drew down \$400,000 of the allocated lottery proceeds.

Note 11. Other Post-Employment Benefits

Employees have the option to continue group health coverage at their expense for a maximum of 18 months after employment if terminated or hours worked are reduced causing an employee to be ineligible for coverage. Covered dependents have the option to continue group coverage for a maximum of 36 months if their coverage is terminated due to employee's death, divorce or legal separation, employee's entitlement to Medicare or a dependent child ceases to be a dependent under the terms of the group's coverage.

The County provides postretirement health care benefits to all employees who retire from the County with at least 20 years of service, until they reach Medicare eligibility. Currently 26 retirees meet those eligibility requirements and the premiums paid on their behalf were \$160,290 for the current fiscal year.

Notes to Financial Statements

Note 11. Other Post-Employment Benefits (Continued)

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, 2008, the County made contributions to the State for death benefits of \$15,301 and the ABC Board made contributions of \$821. The County's and the ABC Board's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .13% 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.

Note 12. 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.

	<u>Federal</u>	<u>State</u>
Food Stamps	\$ 4,903,922	\$ -
Medicaid	34,954,034	17,975,285
TANF and Work First	334,356	(219)
WIC	969,574	-
Title IV-E Foster Care	624,438	120,102
	<u>\$ 41,786,324</u>	<u>\$ 18,095,168</u>

Carteret County, North Carolina

Notes to Financial Statements

Note 13. Joint Ventures

The County, in conjunction with Craven County and Pamlico County, participates in the Coastal Regional Solid Waste Management Authority. Carteret County appoints two members of the seven-member board. The Authority is a joint venture established to provide solid waste management within these counties. The County has an ongoing financial responsibility for the Authority because it and the other counties are legally obligated under the intergovernmental agreement that created the Authority to honor any deficiencies in the event that proceeds from other sources are insufficient. The County did not contribute any funds to the Authority during the fiscal year ended June 30, 2008. 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, 2008. Complete financial statements for the Authority can be obtained from the 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, \$6,400,000 and \$1,457,143 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 \$3,106,782 to the Community College during the fiscal year ended June 30, 2008. 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, 2008. 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.

Component unit information:

The Hospital was a member of a limited liability company with two other area healthcare providers, until the company was dissolved in April 2006. According to the operating agreement of the joint venture, the Hospital acquired a one-third interest by contributing capital of \$1,000. In addition to the \$1,000, the Hospital has contributed \$175,000 to fund start-up costs. The limited liability company was organized to help represent the area healthcare providers on a larger scale. The investment in the joint venture was \$0 at September 30, 2007. During 2007, the Hospital's share of the loss was \$0. In May 2007, a patronage dividend, which consisted of a partial payout of equity invested in the joint venture, totaling \$10,060 was received by the hospital.

Note 14. 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, 2008. During the year ended June 30, 2008, the County appropriated \$879,554 to the library in Carteret County.

Carteret County, North Carolina

Notes to Financial Statements

Note 14. Jointly Governed Organizations (Continued)

Global Trans-Park Development Commission

The Global Trans-Park Development 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 motor vehicle tax was adopted by the legislature and the participating counties and will be collected for a period of five years. The principal balance of the trust funds are nonexpendable and will revolve as loans are made and repaid to the Commission. At June 30, 2008, the portion of the trust available to be loaned exclusively to Carteret County was \$1,705,420.

Note 15. 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.

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 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 for specified aggregate amounts in excess of the basic coverage. Incidents occurring through September 30, 2007 may result in the assertion of a claim. In the opinion of management, these actions would be successfully defended or resolved without material adverse effect on the financial position of the Hospital.

Carteret County, North Carolina

Notes to Financial Statements

Note 15. Commitments and Contingencies (Continued)

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

The Beaufort-Morehead City Airport Authority has the following construction commitments as of June 30, 2008:

Project	Spent-To-Date	Remaining Commitment
Parking/Taxi lane Rehabilitation and Paving, T-Hanger		
Rehabilitation & Land Acquisition	\$ 176,717	\$ 156,617
Land acquisition for runway protection zone	914,756	85,244
	<u>\$ 1,091,473</u>	<u>\$ 241,861</u>

Note 16. Interfund and Intra-Entity Receivables and Payables

Receivable Fund	Payable Fund	Amount
General Fund	Occupancy Tax	
	Occupancy tax distribution	\$ 476,648
	2006 CDBG Water Connection Fund	270
	CDBG 2006 SSH Fund	2,883
	Carteret Community College Renovation Fund	63,483
		<u>\$ 543,284</u>

Due to/from primary government and component units:

Receivable Entity	Payable Entity	Amount
Primary government:	Component unit:	
General Fund	Beaufort-Morehead City Airport Authority	
	Long-term liability due to Carteret County	
	from component unit	\$ 139,414
	Carteret County ABC Board	
	Net income distribution due to County at June 30, 2008	100,000
		<u>\$ 239,414</u>

Carteret County, North Carolina

Notes to Financial Statements

Note 17. 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, 2008 are as follows:

Transfers Out	Transfers In			Total
	Major General	Other Governmental Funds	Major Water Fund	
Major General Fund	\$ -	\$ 5,096,989	\$ 278,000	\$ 5,374,989
Occupancy Tax Fund	2,415,992	-	-	2,415,992
2006 School Project Fund	-	1,607,518	-	1,607,518
Internal Service Fund	276,695	-	-	276,695
Total transfers out	\$ 2,692,687	\$ 6,704,507	\$ 278,000	\$ 9,675,194

Transfers consist primarily of the following:

\$ 5,374,989	Transfer from General Fund for various current and future capital projects and to supplement other funding sources in the special revenue, capital projects and enterprise funds
2,415,992	Transfer from Occupancy Tax Fund in accordance with North Carolina General Statutes
1,607,518	Transfer from 2006 School Project Fund to fund East Carteret building addition expenses
276,695	Transfer from Internal Service Fund to close the fund due to the County changing from self insured to fully insured medical

Intra-entity transactions with discretely presented component units for the year ended June 30, 2008 are as follows:

Expenditures from General Fund to Beaufort-Morehead City Airport Authority for operations	\$ 107,517
Expenditures from Occupancy Tax Fund to Carteret County Tourism Development Authority for portion of Room Occupancy Tax	2,358,249
	\$ 2,465,766
Profit Contributions from ABC Board to General Fund	\$ 497,256

Notes to Financial Statements

Note 18. Pronouncements Issued, Not Yet Effective

In July, 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which addresses how state and local governments should account for and report their costs and obligation related to postemployment healthcare and other nonpension benefits. Collectively, these benefits are commonly referred to as *other postemployment benefits*, or *OPEB*. The Statement generally requires that state and local governmental employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of Statement 45 may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods. Statement 45 also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumption, and, for certain employers, the extent to which the plan has been funded over time. Statement 45 is effective in three phases based on a government's total annual revenues. The largest employers would be required to implement the requirements of Statement 45 for periods beginning after December 15, 2006. Medium-sized employers have one additional year to implement the standards, and the smallest employers have two additional years. Earlier implementation is encouraged. The County must adopt Statement No. 45 by its fiscal year ending June 30, 2009.

In November, 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups. The scope of the document excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and post closure care and nuclear power plant decommissioning. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2007.

In June, 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which requires that all intangible assets (for example easements, water rights, timber rights, patents, trademarks and computer software) not specifically excluded by the scope of its provisions be classified as capital assets, and follow existing authoritative guidance relating to the accounting and financial reporting for capital assets, and follow existing authoritative guidance relating to the accounting and financial reporting for capital assets. This guidance includes recognition in financial statements and amortization of intangible assets. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.

Note 19. Subsequent Events

On September 26, 2008, the County issued a qualified zone academy bond in the amount of \$1,781,354. The financing is 0.00 percent interest bearing with fifteen annual sinking fund installments starting in September 2009. This financing will fund building improvements to Newport Elementary School.

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Required Supplemental Financial Data

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

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

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

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

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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)
12/31/2001	\$ -	\$ 165,054	\$ 165,054	0.00%	\$ 988,446	16.70%
12/31/2002	-	153,701	153,701	0.00%	1,065,893	14.42%
12/31/2003	-	179,265	179,265	0.00%	1,203,410	14.90%
12/31/2004	-	205,031	205,031	0.00%	1,214,506	16.88%
12/31/2005	-	185,553	185,553	0.00%	1,335,490	13.89%
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%

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
2001	\$ 24,322	-
2002	24,322	-
2003	26,030	-
2004	25,542	-
2005	29,931	-
2006	32,346	-
2007	30,593	42.81%
2008	33,630	73.25%

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	12/31/2006
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	24 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	4.5% - 12.3%
 *Includes inflation at	 3.75%
Cost of living adjustments	N/A

Supplementary Information

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Major Funds Summary

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Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2008

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Revenue			
Ad valorem taxes:			
Current period	\$ 41,745,356	\$ 42,240,730	\$ 495,374
Prior years	1,100,000	814,778	(285,222)
Interest and penalties	253,000	269,622	16,622
	<u>43,098,356</u>	<u>43,325,130</u>	<u>226,774</u>
Other taxes and licenses:			
White goods disposal tax	15,000	30,757	15,757
ABC local bottle tax	28,000	32,456	4,456
Local option sales tax	14,950,000	15,660,876	710,876
Scrap tire disposal tax	60,000	88,537	28,537
	<u>15,053,000</u>	<u>15,812,626</u>	<u>759,626</u>
Permits and fees:			
Sheriff fees	35,000	94,122	59,122
Register of deeds	1,800,000	1,305,479	(494,521)
Privilege licenses	13,000	15,354	2,354
Franchise fees	400,000	504,442	104,442
Building and Inspection Fees	900,500	601,323	(299,177)
Environmental health fees	460,000	349,235	(110,765)
Other fees	179,295	209,100	29,805
	<u>3,787,795</u>	<u>3,079,055</u>	<u>(708,740)</u>
Intergovernmental:			
Restricted:			
Federal and State grants	9,334,742	10,138,004	803,262
Lottery Proceeds	500,000	400,000	(100,000)
Court facilities fees	300,000	323,082	23,082
Unrestricted:			
Beer and wine tax	160,000	168,428	8,428
ABC profits	250,000	497,256	247,256
Croatan National Forest	55,000	150,383	95,383
	<u>10,599,742</u>	<u>11,677,153</u>	<u>1,077,411</u>
Sales and services:			
Solid waste	2,255,000	2,229,849	(25,151)
Civic center fees	187,000	190,385	3,385
Other	244,010	229,770	(14,240)
	<u>2,686,010</u>	<u>2,650,004</u>	<u>(36,006)</u>
Interest	<u>797,000</u>	<u>1,519,179</u>	<u>722,179</u>
Miscellaneous:			
Proceeds from sale of fixed assets	20,000	93,722	73,722
Other	320,517	174,272	(146,245)
	<u>340,517</u>	<u>267,994</u>	<u>(72,523)</u>
Total revenue	<u>76,362,420</u>	<u>78,331,141</u>	<u>1,968,721</u>

(Continued)

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2008

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Expenditures			
General government:			
Governing body:			
Salaries and employee benefits	\$ 58,060	\$ 49,534	\$ 8,526
Operating expenses	289,463	290,368	(905)
Professional services	124,000	123,320	680
	<u>471,523</u>	<u>463,222</u>	<u>8,301</u>
Administration:			
Salaries and employee benefits	351,768	326,193	25,575
Operating expenses	51,038	38,396	12,642
	<u>402,806</u>	<u>364,589</u>	<u>38,217</u>
Information systems:			
Salaries and employee benefits	234,573	235,499	(926)
Operating expenses	414,025	406,970	7,055
	<u>648,598</u>	<u>642,469</u>	<u>6,129</u>
Finance:			
Salaries and employee benefits	460,387	452,303	8,084
Operating expenses	56,400	53,088	3,312
	<u>516,787</u>	<u>505,391</u>	<u>11,396</u>
Human resources:			
Salaries and employee benefits	161,473	161,200	273
Operating expenses	43,100	37,501	5,599
	<u>204,573</u>	<u>198,701</u>	<u>5,872</u>
Tax:			
Salaries and employee benefits	946,201	939,201	7,000
Operating expenses	133,135	112,406	20,729
Contract services	122,150	106,340	15,810
	<u>1,201,486</u>	<u>1,157,947</u>	<u>43,539</u>
Revaluation:			
Salaries and employee benefits	214,337	176,598	37,739
Operating expenses	94,000	67,082	26,918
Contract services	5,000	1,200	3,800
	<u>313,337</u>	<u>244,880</u>	<u>68,457</u>
Legal:			
Professional services	80,000	74,752	5,248
Court facilities:			
Operating expenses	63,045	62,684	361
Elections:			
Salaries and employee benefits	247,229	219,870	27,359
Operating expenses	291,761	166,649	125,112
	<u>538,990</u>	<u>386,519</u>	<u>152,471</u>
Register of deeds:			
Salaries and employee benefits	330,166	324,973	5,193
Operating expenses	182,782	155,654	27,128
Capital outlay	7,000	-	7,000
	<u>519,948</u>	<u>480,627</u>	<u>39,321</u>

(Continued)

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2008

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Public buildings:			
Salaries and employee benefits	\$ 525,394	\$ 501,410	\$ 23,984
Operating expenses	688,231	655,583	32,648
Capital outlay	-	6,395	(6,395)
	<u>1,213,625</u>	<u>1,163,388</u>	<u>50,237</u>
Total general government	6,174,718	5,745,169	429,549
Public safety:			
Sheriff:			
Salaries and employee benefits	2,645,692	2,639,924	5,768
Operating expenses	766,915	744,308	22,607
Contract services	4,100	617	3,483
Capital outlay	239,220	239,157	63
	<u>3,655,927</u>	<u>3,624,006</u>	<u>31,921</u>
Communications:			
Salaries and employee benefits	402,766	380,996	21,770
Operating expenses	86,725	69,399	17,326
Capital outlay	77,040	-	77,040
	<u>566,531</u>	<u>450,395</u>	<u>116,136</u>
Sheriff - Jail division:			
Salaries and employee benefits	1,338,972	1,306,149	32,823
Operating expenses	706,550	722,867	(16,317)
Capital outlay	259,570	281,670	(22,100)
Contract services	110,324	88,437	21,887
	<u>2,415,416</u>	<u>2,399,123</u>	<u>16,293</u>
Emergency medical service:			
Salaries and employee benefits	67,869	67,100	769
Operating expenses	28,150	28,488	(338)
Contract services	16,207	15,432	775
	<u>112,226</u>	<u>111,020</u>	<u>1,206</u>
Paramedic operations:			
Salaries and employee benefits	580,500	580,835	(335)
Operating expenses	180,272	177,609	2,663
Capital outlay	14,700	14,603	97
	<u>775,472</u>	<u>773,047</u>	<u>2,425</u>
Emergency management:			
Salaries and employee benefits	112,128	124,809	(12,681)
Operating expenses	78,730	73,030	5,700
Contract services	71,475	70,310	1,165
Capital outlay	128,710	128,706	4
	<u>391,043</u>	<u>396,855</u>	<u>(5,812)</u>
Rape crisis program:			
Salaries and employee benefits	197,149	186,300	10,849
Operating expenses	39,180	32,215	6,965
Contract services	7,286	7,030	256
	<u>243,615</u>	<u>225,545</u>	<u>18,070</u>
Domestic violence program:			
Operating expenses	77,457	60,395	17,062

(Continued)

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2008

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Fire Marshall:			
Salaries and employee benefits	\$ 35,326	\$ 34,162	\$ 1,164
Operating expenses	15,370	13,064	2,306
	<u>50,696</u>	<u>47,226</u>	<u>3,470</u>
Medical examiner:			
Professional services	55,000	42,100	12,900
Animal control:			
Salaries and employee benefits	285,244	283,684	1,560
Operating expenses	492,117	487,817	4,300
Capital outlay	39,232	38,232	1,000
	<u>816,593</u>	<u>809,733</u>	<u>6,860</u>
Total public safety	<u>9,159,976</u>	<u>8,939,445</u>	<u>220,531</u>
Transportation:			
Harbors:			
Operating expenses	43,450	24,567	18,883
Beaufort-Morehead City Airport Authority	107,517	107,517	-
CCATS:			
Salaries and employee benefits	94,084	93,878	206
Operating expenses	556,344	559,778	(3,434)
Capital outlay	77,590	72,906	4,684
	<u>728,018</u>	<u>726,562</u>	<u>1,456</u>
Total transportation	<u>878,985</u>	<u>858,646</u>	<u>20,339</u>
Environmental protection:			
Forest fire control	127,134	115,289	11,845
Landfill closure	20,000	14,619	5,381
Tri-County solid waste collections	2,359,100	2,284,633	74,467
Soil conservation:			
Salaries and employee benefits	74,089	60,784	13,305
Operating expenses	11,676	9,860	1,816
	<u>85,765</u>	<u>70,644</u>	<u>15,121</u>
Public works:			
Salaries and employee benefits	257,138	259,216	(2,078)
Operating expenses	154,118	122,273	31,845
Contract services	20,000	16,710	3,290
Capital outlay	17,500	17,500	-
	<u>448,756</u>	<u>415,699</u>	<u>33,057</u>
Total environmental protection	<u>3,040,755</u>	<u>2,900,884</u>	<u>139,871</u>

(Continued)

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2008

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Economic and physical development:			
Special appropriations:			
Economic Development Council	\$ 175,000	\$ 175,000	\$ -
Business development	110,000	110,000	-
	<u>285,000</u>	<u>285,000</u>	<u>-</u>
Beach nourishment			
Salaries and employee benefits	91,583	93,552	(1,969)
Operating expenses	234,995	222,399	12,596
Contract services	785,000	386,019	398,981
	<u>1,111,578</u>	<u>701,970</u>	<u>409,608</u>
Planning and zoning:			
Salaries and employee benefits	811,526	789,300	22,226
Operating expenses	107,909	100,557	7,352
Contract services	8,564	6,784	1,780
Capital outlay	93,035	87,983	5,052
	<u>1,021,034</u>	<u>984,624</u>	<u>36,410</u>
Engineering:			
Salaries and employee benefits	126,150	125,649	501
Operating expenses	13,668	12,808	860
	<u>139,818</u>	<u>138,457</u>	<u>1,361</u>
Cooperative extension:			
Salaries and employee benefits	9,850	13,364	(3,514)
Operating expenses	269,721	234,156	35,565
	<u>279,571</u>	<u>247,520</u>	<u>32,051</u>
Total economic and physical development	<u>2,837,001</u>	<u>2,357,571</u>	<u>479,430</u>
Human Services:			
Health center:			
Salaries and employee benefits	841,308	809,594	31,714
Operating expenses	275,001	268,827	6,174
	<u>1,116,309</u>	<u>1,078,421</u>	<u>37,888</u>
Health promotion:			
Salaries and employee benefits	92,012	77,834	14,178
Operating expenses	900	799	101
	<u>92,912</u>	<u>78,633</u>	<u>14,279</u>
Breast & Cervical Cancer			
Salaries and employee benefits	27,458	25,181	2,277
Operating expenses	17,840	17,394	446
	<u>45,298</u>	<u>42,575</u>	<u>2,723</u>
Dental Program			
Salaries and employee benefits	223,917	221,607	2,310
Operating expenses	26,336	14,263	12,073
Capital outlay	-	9,720	(9,720)
	<u>250,253</u>	<u>245,590</u>	<u>4,663</u>
Communicable Diseases			
Salaries and employee benefits	87,751	80,606	7,145
Operating expenses	1,200	1,347	(147)
	<u>88,951</u>	<u>81,953</u>	<u>6,998</u>

(Continued)

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2008

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Operating Preparedness and Response			
Salaries and employee benefits	\$ 101,118	\$ 98,693	\$ 2,425
Operating expenses	18,707	15,852	2,855
	<u>119,825</u>	<u>114,545</u>	<u>5,280</u>
Family Planning			
Salaries and employee benefits	124,789	117,526	7,263
Operating expenses	74,920	60,858	14,062
	<u>199,709</u>	<u>178,384</u>	<u>21,325</u>
Maternal adult and child health:			
Salaries and employee benefits	255,889	249,316	6,573
Operating expenses	6,865	4,044	2,821
	<u>262,754</u>	<u>253,360</u>	<u>9,394</u>
Child care coordination:			
Salaries and employee benefits	172,806	168,138	4,668
Operating expenses	964	2,261	(1,297)
	<u>173,770</u>	<u>170,399</u>	<u>3,371</u>
Women, infants, and children:			
Administration:			
Salaries and employee benefits	193,956	193,715	241
Operating expenses	8,418	7,665	753
	<u>202,374</u>	<u>201,380</u>	<u>994</u>
Nutrition:			
Salaries and employee benefits	60,270	60,009	261
Operating expenses	500	354	146
	<u>60,770</u>	<u>60,363</u>	<u>407</u>
Environmental health:			
Salaries and employee benefits	958,387	947,996	10,391
Operating expenses	150,719	127,344	23,375
Capital outlay	42,081	42,081	-
	<u>1,151,187</u>	<u>1,117,421</u>	<u>33,766</u>
State smart start grant:			
Salaries and fringe benefits	39,363	35,328	4,035
Operating supplies	6,839	6,122	717
	<u>46,202</u>	<u>41,450</u>	<u>4,752</u>
Mental health:			
Mental health center and other	273,000	273,000	-
Mental health, ABC	25,000	24,996	4
	<u>298,000</u>	<u>297,996</u>	<u>4</u>
DSS administration:			
Salaries and employee benefits	4,691,835	4,670,797	21,038
Operating expenses	514,500	452,252	62,248
Professional services	10,000	405	9,595
Capital outlay	56,360	-	56,360
	<u>5,272,695</u>	<u>5,123,454</u>	<u>149,241</u>

(Continued)

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2008

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
General assistance:			
Boarding home	\$ 150,000	\$ 70,974	\$ 79,026
Clothing and medical expense	20,000	5,286	14,714
Special children adoption	37,000	29,409	7,591
Smart Start day care	30,361	30,361	-
Miscellaneous	35,000	27,229	7,771
	<u>272,361</u>	<u>163,259</u>	<u>109,102</u>
TANF Block grant:			
TANF Block grant	376,046	257,155	118,891
Operating expenses	75,000	54,515	20,485
	<u>451,046</u>	<u>311,670</u>	<u>139,376</u>
DSS special assistance	<u>6,320,028</u>	<u>5,282,506</u>	<u>1,037,522</u>
Special projects	<u>359,196</u>	<u>356,807</u>	<u>2,389</u>
Other human services	<u>513,788</u>	<u>501,366</u>	<u>12,422</u>
CBA juvenile restitution program:			
Salaries and employee benefits	38,676	36,792	1,884
Operating expenses	9,443	9,452	(9)
Contract services	12,961	11,914	1,047
	<u>61,080</u>	<u>58,158</u>	<u>2,922</u>
Veteran services:			
Salaries and employee benefits	217,975	220,200	(2,225)
Operating expenses	48,933	46,099	2,834
Contract services	5,652	8,141	(2,489)
Capital outlay	19,212	-	19,212
	<u>291,772</u>	<u>274,440</u>	<u>17,332</u>
Senior center operation:			
Salaries and employee benefits	166,919	163,680	3,239
Operating expenses	40,372	29,734	10,638
Contract services	156,406	156,542	(136)
	<u>363,697</u>	<u>349,956</u>	<u>13,741</u>
Title III F grant:			
Salaries and employee benefits	5,116	4,711	405
Operating expenses	2,309	2,275	34
	<u>7,425</u>	<u>6,986</u>	<u>439</u>
Total human services	<u>18,021,402</u>	<u>16,391,072</u>	<u>1,630,330</u>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	382,327	361,440	20,887
Operating expenses	307,927	286,407	21,520
Contract services	45,365	34,218	11,147
	<u>735,619</u>	<u>682,065</u>	<u>53,554</u>
Parks and recreation maintenance:			
Salaries and employee benefits	434,347	404,510	29,837
Operating expenses	182,281	185,667	(3,386)
Contract services	44,752	43,924	828
Capital outlay	90,000	89,469	531
	<u>751,380</u>	<u>723,570</u>	<u>27,810</u>

(Continued)

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2008

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Senior center:			
Salaries and employee benefits	\$ 130,819	\$ 111,851	\$ 18,968
Operating expenses	183,991	162,523	21,468
Contract services	23,712	18,015	5,697
	<u>338,522</u>	<u>292,389</u>	<u>46,133</u>
Carteret County Library:			
Appropriations to Library Systems	949,554	949,554	-
Civic center:			
Salaries and employee benefits	184,875	181,509	3,366
Operating expenses	202,019	178,523	23,496
Contract services	8,220	5,664	2,556
	<u>395,114</u>	<u>365,696</u>	<u>29,418</u>
Total culture and recreation	<u>3,170,189</u>	<u>3,013,274</u>	<u>156,915</u>
Education:			
Public schools, current expense	19,525,000	19,355,211	169,789
Community college, current expense	1,992,785	1,992,785	-
Community college, capital outlay	217,194	208,443	8,751
Total education	<u>21,734,979</u>	<u>21,556,439</u>	<u>178,540</u>
Debt service:			
Principal retirement	6,048,400	5,922,857	125,543
Interest and fees	3,640,750	3,568,542	72,208
Total debt service	<u>9,689,150</u>	<u>9,491,399</u>	<u>197,751</u>
Total expenditures	<u>74,707,155</u>	<u>71,253,899</u>	<u>3,453,256</u>
Revenue over (under) expenditures	<u>1,655,265</u>	<u>7,077,242</u>	<u>5,421,977</u>
Other financing sources (uses)			
Transfers in (out):			
From Occupancy Tax Fund	2,570,650	2,415,992	(154,658)
From Internal Service Fund	-	276,695	276,695
To School Project Fund	(2,508,000)	(2,508,000)	-
To Water Fund	(278,000)	(278,000)	-
To Capital Improvements Fund	(2,588,989)	(2,588,989)	-
Contingency reserves	(1,563,350)	-	1,563,350
Loan proceeds	110,225	110,221	(4)
Appropriated fund balance	2,602,199	-	(2,602,199)
Total other financing sources (uses)	<u>(1,655,265)</u>	<u>(2,572,081)</u>	<u>(916,816)</u>
Net change in fund balance	<u>\$ -</u>	<u>4,505,161</u>	<u>\$ 4,505,161</u>
Fund balance			
Beginning, as adjusted		33,094,044	
Ending		<u>\$ 37,599,205</u>	

Carteret County, North Carolina

**Statement of Revenue, Expenditures and Changes in Fund Balance -
Budget and Actual - 2006 School Bond Project Fund
From Inception and for the Year Ended June 30, 2008**

	2006 School Bond Project Fund				
	Original Project Estimate	Amended Project Estimate	Actual		
			Prior Years	Current Year	Total to Date
Revenue					
Interest	\$ -	\$ -	\$ 1,442,765	1,083,617	\$ 2,526,382
Sales Tax Refunds	-	-	-	112,026	112,026
State Bond Proceeds	-	-	9,195	-	9,195
Total revenue	-	-	1,451,960	1,195,643	2,647,603
Expenditures					
Current:					
Atlantic Elementary School	-	815,788	226,328	502,078	728,406
Beaufort Middle School	-	1,997,248	777,262	817,117	1,594,379
Bogue Sound Elementary School	-	1,752,155	1,082,226	481,601	1,563,827
Broad Creek Middle School	197,667	2,041,847	1,315,939	353,134	1,669,073
Croatan High School	-	881,386	30,369	192,290	222,659
East Carteret High School	87,396	2,353,728	426,570	1,440,713	1,867,283
Harkers Island School	-	975,883	265,486	650,858	916,344
Morehead Middle School	77,265	689,297	95,411	389,570	484,981
Morehead Primary School	168,039	761,568	192,869	349,658	542,527
Newport Elementary School	-	5,012,085	352,404	4,646,346	4,998,750
Newport Middle School	-	404,600	-	228,272	228,272
Smyrna Elementary School	58,995	1,092,599	221,211	744,866	966,077
West Carteret High School	178,045	869,568	525,218	232,749	757,967
White Oak Elementary School	-	5,993,917	513,859	4,942,327	5,456,186
Central Office	-	207,940	-	200,671	200,671
Transportation Facility	-	338,593	-	334,488	334,488
Other Construction	-	126,051	101,328	111,249	212,577
Issuance cost	100,000	150,000	139,079	-	139,079
Capital outlay	20,771,955	7,741,091	-	-	-
Total expenditures	21,639,362	34,205,344	6,265,559	16,617,987	22,883,546
Revenue under expenditures	(21,639,362)	(34,205,344)	(4,813,599)	(15,422,344)	(20,235,943)
Other financing sources (uses)					
Long-term debt issued	22,000,000	36,100,000	36,100,000	-	36,100,000
Bond premium	365,126	438,626	438,267	-	438,267
Transfer to other funds	(725,764)	(2,333,282)	(536,488)	(1,607,518)	(2,144,006)
Total other financing sources (uses)	21,639,362	34,205,344	36,001,779	(1,607,518)	34,394,261
Revenue over expenditures and other sources	\$ -	\$ -	\$ 31,188,180	(17,029,862)	\$ 14,158,318
Fund balances					
Beginning				31,188,180	
Ending				<u>14,158,318</u>	

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Summary of Nonmajor Funds

Carteret County, North Carolina

Combining Balance Sheet - Nonmajor Governmental Fund Types
June 30, 2008

	Government Fund Types		
	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets			
Assets:			
Cash and investments	\$ 928,737	\$ 6,257,697	\$ 7,186,434
Restricted cash and cash equivalents	1,053,153	4,799,427	5,852,580
Receivables, net	844,739	-	844,739
Total assets	\$ 2,826,629	\$ 11,057,124	\$ 13,883,753
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 386,216	\$ 15,315	\$ 401,531
Due to other funds	3,153	63,483	66,636
Liabilities payable from restricted assets	-	886,009	886,009
Deferred revenue	294,664	-	294,664
Total liabilities	684,033	964,807	1,648,840
Fund balances:			
Reserved for special districts	1,147,999	-	1,147,999
Unreserved:			
Designated for subsequent year's expenditures	23,160	5,201,029	5,224,189
Undesignated	971,437	4,891,288	5,862,725
Total fund balance	2,142,596	10,092,317	12,234,913
Total liabilities and fund balance	\$ 2,826,629	\$ 11,057,124	\$ 13,883,753

Carteret County, North Carolina

Combining Statement of Revenue, Expenditures and Changes in Fund Balances -
 Nonmajor Governmental Fund Types
 Year Ended June 30, 2008

	Government Fund Types		
	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenue			
Ad valorem taxes	\$ 5,395,506	\$ -	\$ 5,395,506
Other taxes and licenses	2,360,977	-	2,360,977
Intergovernmental	222,551	27,926	250,477
Interest	73,568	607,466	681,034
Total revenue	8,052,602	635,392	8,687,994
Expenditures			
Current:			
Public safety	7,193,113	-	7,193,113
Economic and physical development	243,346	-	243,346
Capital outlay	-	9,434,515	9,434,515
Total expenditures	7,436,459	9,434,515	16,870,974
Revenue over (under) expenditures	616,143	(8,799,123)	(8,182,980)
Other financing sources (uses)			
Long term debt issued	-	3,700,000	3,700,000
Transfers in	-	6,714,507	6,714,507
Transfers out	(10,000)	-	(10,000)
Total other financing sources (uses)	(10,000)	10,414,507	10,404,507
Net change in fund balance	606,143	1,615,384	2,221,527
Fund balances			
Beginning	1,536,453	8,476,933	10,013,386
Ending	\$ 2,142,596	\$ 10,092,317	\$ 12,234,913

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Nonmajor Special Revenue Funds

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

Carteret County, North Carolina

Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2008

	Rescue Squad Fund	Fire District Fund	Emergency 911 Fund
Assets			
Cash and investments	\$ 464,332	\$ 588,821	\$ 908,001
Receivables:			
Property taxes receivable, net	115,546	179,118	-
Accounts receivable	201,555	294,822	51,556
Total assets	\$ 781,433	\$ 1,062,761	\$ 959,557
Liabilities and Fund Balances (Deficits)			
Liabilities:			
Accounts payable	\$ 132,907	\$ 247,127	\$ 6,182
Due to other funds	-	-	-
Deferred revenue	115,546	179,118	-
Total liabilities	248,453	426,245	6,182
Fund balance (deficit):			
Reserved special districts	521,353	626,646	-
Unreserved:			
Designated for subsequent year's expenditures	-	2,635	-
Undesignated fund balance (deficit)	11,627	7,235	953,375
Total fund balances (deficits)	532,980	636,516	953,375
Total liabilities and fund balances (deficits)	\$ 781,433	\$ 1,062,761	\$ 959,557

Salter Path District Fund	CDBG 2006 SSH Fund	CDBG 2006 Water Connection Fund	Totals
\$ 20,736	\$ -	\$ -	\$ 1,981,890
-	-	-	294,664
2,142	-	-	550,075
\$ 22,878	\$ -	\$ -	\$ 2,826,629

\$ -	\$ -	\$ -	\$ 386,216
-	2,883	270	3,153
-	-	-	294,664
-	2,883	270	684,033

-	-	-	1,147,999
20,525	-	-	23,160
2,353	(2,883)	(270)	971,437
22,878	(2,883)	(270)	2,142,596
\$ 22,878	\$ -	\$ -	\$ 2,826,629

Carteret County, North Carolina

Nonmajor Special Revenue Funds

Combining Statement of Revenue, Expenditures and Changes in Fund Balances (Deficits)
Year Ended June 30, 2008

	Rescue Squad Fund	Fire District Fund	Emergency 911 Fund	Salter Path District Fund
Revenue				
Ad valorem taxes	\$ 1,980,814	\$ 3,414,561	\$ -	\$ 131
Other taxes and licenses	756,539	1,106,482	489,918	8,038
Intergovernmental	-	-	-	-
Interest	13,540	17,847	41,050	1,131
Total revenue	2,750,893	4,538,890	530,968	9,300
Expenditures				
Public safety	2,504,490	4,283,186	405,437	-
Economic and physical development	-	-	-	20,525
Total expenditures	2,504,490	4,283,186	405,437	20,525
Revenue over (under) expenditures	246,403	255,704	125,531	(11,225)
Other financing sources				
Transfers out	-	-	-	-
Total other financing sources	-	-	-	-
Revenue and other financing sources over (under) expenditures and other financing uses	246,403	255,704	125,531	(11,225)
Fund balances (deficits)				
Beginning	286,577	380,812	827,844	34,103
Ending	\$ 532,980	\$ 636,516	\$ 953,375	\$ 22,878

CDBG 2004 Scattered Site Fund	CDBG 2005 Supplemental Fund	CDBG 2006 SSH Fund	CDBG 2006 Hazardous Mitigation Fund	CDBG 2006 Water Connection Fund	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,395,506
-	-	-	-	-	2,360,977
-	106,329	-	87,381	28,841	222,551
-	-	-	-	-	73,568
-	106,329	-	87,381	28,841	8,052,602
-	-	-	-	-	7,193,113
-	106,329	-	87,381	29,111	243,346
-	106,329	-	87,381	29,111	7,436,459
-	-	-	-	(270)	616,143
(10,000)	-	-	-	-	(10,000)
(10,000)	-	-	-	-	(10,000)
(10,000)	-	-	-	(270)	606,143
10,000	-	(2,883)	-	-	1,536,453
\$ -	\$ -	\$ (2,883)	\$ -	\$ (270)	\$ 2,142,596

Carteret County, North Carolina

Rescue Squad Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2008

	Budget	Actual	Variance Positive (Negative)
Revenue			
Ad valorem taxes	\$ 1,874,650	\$ 1,980,814	\$ 106,164
Other taxes and licenses:			
Local option sales tax	683,000	756,539	73,539
Interest	-	13,540	13,540
Total revenue	2,557,650	2,750,893	193,243
Expenditures			
Public safety:			
Beaufort	400,650	400,650	-
Broad and Gales Creek	300,400	300,396	4
Mill Creek	22,770	44,776	(22,006)
Mitchell Village	137,000	136,992	8
Otway	150,150	150,156	(6)
Sea Level	353,335	353,340	(5)
Western Carteret	438,300	438,300	-
District reserves	72,045	-	72,045
Local sales tax	683,000	679,880	3,120
Total expenditures	2,557,650	2,504,490	53,160
Revenue over expenditures and other financing uses	\$ -	246,403	\$ 246,403
Fund balances			
Beginning		286,577	
Ending		<u>\$ 532,980</u>	

Carteret County, North Carolina

Fire District Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2008

	Budget	Actual	Variance Positive (Negative)
Revenue			
Ad valorem taxes	\$ 3,267,710	\$ 3,414,561	\$ 146,851
Other taxes and licenses:			
Local option sales tax	1,039,200	1,106,482	67,282
Interest	-	17,847	17,847
Total revenue	4,306,910	4,538,890	231,980
Expenditures			
Public safety:			
Fire Districts:			
County allocations	-	-	-
Atlantic	82,640	82,640	-
Beaufort	196,600	196,596	4
Broad and Gales Creek	377,700	377,700	-
Cedar Island	48,250	48,240	10
Davis	77,900	77,904	(4)
Harkers Island	173,800	173,796	4
Harlowe	51,425	51,420	5
Marshallberg	176,535	176,532	3
Mill Creek	23,600	23,604	(4)
Mitchell Village, Crab Point	487,000	486,996	4
Newport	169,500	169,500	-
North River	29,330	29,330	-
Otway	58,600	58,596	4
Salter Path	128,500	128,496	4
Sea Level	53,000	53,004	(4)
South River	98,400	98,400	-
Stacy	15,600	15,600	-
Stella	40,700	40,704	(4)
Wildwood	306,810	306,810	-
Western Carteret	516,700	516,696	4
District reserves	230,520	155,310	75,210
Local sales tax	1,039,200	1,015,312	23,888
Total expenditures	4,382,310	4,283,186	99,124
Revenue over (under) expenditures	(75,400)	255,704	(331,104)
Other financing sources			
Appropriated fund balance	75,400	-	-
Revenue over expenditures and other financing uses	\$ -	255,704	\$ 255,704
Fund balances			
Beginning		380,812	
Ending		<u>\$ 636,516</u>	

Carteret County, North Carolina

Emergency 911 Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2008

	Budget	Actual	Variance Positive (Negative)
Revenue			
Other taxes and licenses	\$ 572,000	\$ 489,918	\$ (82,082)
Interest	20,474	41,050	20,576
Total revenue	592,474	530,968	(61,506)
Expenditures			
Public safety:			
Salaries and fringe benefits	42,074	49,710	(7,636)
Operating expenses	240,400	223,053	17,347
Contracted services	75,000	1,260	73,740
Capital outlay	401,500	131,414	270,086
Total expenditures	758,974	405,437	353,537
Revenue over (under) expenditures	(166,500)	125,531	292,031
Other financing sources			
Fund Balance Appropriated	166,500	-	(166,500)
Revenue and other financing sources over expenditures	\$ -	125,531	\$ 125,531
Fund balances			
Beginning		827,844	
Ending		<u>\$ 953,375</u>	

Carteret County, North Carolina

Salter Path District Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2008

	Budget	Actual	Variance Positive (Negative)
Revenue			
Ad valorem taxes	\$ -	\$ 131	\$ 131
Other taxes and licenses:			
Local option sales tax	9,000	8,038	(962)
Interest	800	1,131	331
Total revenue	<u>9,800</u>	<u>9,300</u>	<u>(500)</u>
Expenditures			
Economic and physical development:			
Contribution to Indian Beach	20,525	20,525	-
Total expenditures	<u>20,525</u>	<u>20,525</u>	<u>-</u>
Revenue over (under) expenditures	<u>(10,725)</u>	<u>(11,225)</u>	<u>(500)</u>
Other financing sources			
Fund Balance Appropriated	10,725	-	(10,725)
Revenue over expenditures and other financing uses	<u>\$ -</u>	<u>(11,225)</u>	<u>\$ (11,225)</u>
Fund balances			
Beginning		34,103	
Ending		<u>\$ 22,878</u>	

Carteret County, North Carolina

2004 CDBG Scattered Site Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and the Year Ended June 30, 2008

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
Revenue				
Intergovernmental:				
Federal and State Grants	\$ 400,000	\$ 399,927	\$ -	\$ 399,927
Recipient Match	-	11,834	-	11,834
Total revenue	400,000	411,761	-	411,761
Expenditures				
Economic and Physical Development:				
C - 1 Clearance	9,300	10,285	-	10,285
C - 1 Relocation	180,700	191,566	-	191,566
C - 1 Rehabilitation	197,000	187,021	-	187,021
C - 1 Administration	13,000	12,889	-	12,889
Total expenditures	400,000	401,761	-	401,761
Revenue over (under) expenditures	-	10,000	-	10,000
Other financing sources				
Transfers out	-	-	(10,000)	(10,000)
Total revenue and other financing sources over (under) expenditures	\$ -	\$ 10,000	(10,000)	\$ -
Fund balances				
Beginning			10,000	
Ending			\$ -	

Carteret County, North Carolina

2005 CDBG Program

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and the Year Ended June 30, 2008

	Total Project Estimate	Actual		
		Prior Years	Current Year	Total to Date
Revenue				
Intergovernmental:				
Community Development Block Grant	\$ 600,000	\$ -	\$ 106,329	\$ 106,329
Expenditures				
Economic and Physical Development:				
Clearance	48,000	-	7,825	7,825
Relocation	460,000	-	98,504	98,504
Administration	92,000	-	-	-
	600,000	-	106,329	106,329
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances				
Beginning			-	
Ending			<u>\$ -</u>	

Carteret County, North Carolina

2006 CDBG SSH Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and the Year Ended June 30, 2008

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
Revenue				
Intergovernmental:				
Community Development Block Grant	\$ 400,000	\$ -	\$ -	\$ -
Expenditures				
Economic and Physical Development:				
Clearance	3,000	-	-	-
Relocation	60,000	-	-	-
Rehabilitation	297,000	-	-	-
Administration	40,000	2,883	-	2,883
	400,000	2,883	-	2,883
Total revenues over expenditures	\$ -	\$ (2,883)	-	\$ (2,883)
Fund balances				
Beginning			(2,883)	
Ending			\$ (2,883)	

Carteret County, North Carolina

CDBG 2006 Hazardous Mitigation Grant Program

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and the Year Ended June 30, 2008

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
Revenue				
Intergovernmental:				
Hazardous Mitigation Funds	\$ 1,814,368	\$ -	\$ 87,381	\$ 87,381
Expenditures				
Economic and Physical Development:				
Hard Costs	1,537,459	-	-	-
Soft Costs	248,648	-	87,381	87,381
Administration	28,261	-	-	-
	1,814,368	-	87,381	87,381
Total revenues over expenditures	\$ -	\$ -	-	\$ -
Fund balances				
Beginning			-	
Ending			\$ -	

Carteret County, North Carolina

CDBG 2006 Water Connection Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and the Year Ended June 30, 2008

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
Revenue				
Intergovernmental:				
Community Development Block Grant	\$ 75,000	\$ -	\$ 28,841	\$ 28,841
Expenditures				
Economic and Physical Development:				
Rehabilitation	63,750	-	23,700	23,700
Administration	11,250	-	5,411	5,411
	75,000	-	29,111	29,111
Total revenues over expenditures	\$ -	\$ -	(270)	\$ (270)
Fund balances				
Beginning			-	
Ending			<u>\$ (270)</u>	

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Nonmajor Capital Projects Funds

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

Carteret County, North Carolina

Nonmajor Capital Projects Fund

Combining Balance Sheet
June 30, 2008

	County Capital Reserve Fund	County Capital Improvements Fund	School Special Projects Fund
Assets			
Cash and investments	\$ 599,196	\$ 4,172,668	\$ 2,131,489
Total assets	\$ 599,196	\$ 4,172,668	\$ 2,131,489
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 15,315
Due to other funds	-	-	-
Total liabilities	-	-	15,315
Fund balances:			
Unreserved:			
Designated for subsequent year's expenditures	-	1,440,850	555,900
Undesignated	599,196	2,731,818	1,560,274
Total fund balances	599,196	4,172,668	2,116,174
Total liabilities and fund balances	\$ 599,196	\$ 4,172,668	\$ 2,131,489

Morehead Elementary School Fund	East Carteret High School Building Fund	Carteret Community College Renovation Fund	Totals
\$ 626,172	\$ 2,581,378	\$ 946,221	\$ 11,057,124
\$ 626,172	\$ 2,581,378	\$ 946,221	\$ 11,057,124

\$ -	\$ 844,934	\$ 41,075	\$ 901,324
-	-	63,483	63,483
-	844,934	104,558	964,807

626,172	1,736,444	841,663	5,201,029
-	-	-	4,891,288
626,172	1,736,444	841,663	10,092,317
\$ 626,172	\$ 2,581,378	\$ 946,221	\$ 11,057,124

Carteret County, North Carolina

Nonmajor Capital Projects Fund

Combining Statement of Revenue, Expenditures and Changes in Fund Balances
Year Ended June 30, 2008

	County Capital Reserve Fund	County Capital Improvements Fund	School Special Projects Fund
Revenue			
Intergovernmental	\$ -	\$ -	\$ -
Interest	28,361	138,049	183,738
Total revenue	28,361	138,049	183,738
Expenditures			
Capital outlay	-	419,679	3,995,444
Revenue over (under) expenditures	28,361	(281,630)	(3,811,706)
Other Financing Sources (Uses)			
Transfers in	-	2,598,989	2,508,000
Transfers out	-	-	-
Long-term debt issued	-	-	2,000,000
Total other financing sources (uses)	-	2,598,989	4,508,000
Revenue and other financing sources over (under) expenditures and other financing uses	28,361	2,317,359	696,294
Fund balances			
Beginning	570,835	1,855,309	1,419,880
Ending	\$ 599,196	\$ 4,172,668	\$ 2,116,174

Morehead Elementary School Fund	East Carteret High School Building Fund	Carteret Community College Renovation Fund	Totals
\$ 27,746	\$ 180	\$ -	\$ 27,926
23,969	183,722	49,627	607,466
51,715	183,902	49,627	635,392
269,638	3,844,200	905,554	9,434,515
(217,923)	(3,660,298)	(855,927)	(8,799,123)
-	1,607,518	-	6,714,507
-	-	-	-
-	-	1,700,000	3,700,000
-	1,607,518	1,700,000	10,414,507
(217,923)	(2,052,780)	844,073	1,615,384
844,095	3,789,224	(2,410)	8,476,933
\$ 626,172	\$ 1,736,444	\$ 841,663	\$ 10,092,317

Carteret County, North Carolina

County Capital Reserve Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2008

	Budget	Actual	Variance Positive
Revenue			
Interest	<u>\$ -</u>	\$ 28,361	<u>\$ 28,361</u>
Fund balances			
Beginning		570,835	
Ending		<u>\$ 599,196</u>	

Carteret County, North Carolina

County Capital Improvements Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2008

	Budget	Actual	Variance Positive (Negative)
Revenue			
Intergovernmental	\$ 523,000	\$ -	\$ (523,000)
Interest	9,515	138,049	128,534
Total revenues	532,515	138,049	(394,466)
Expenditures			
Capital outlay:			
Emergency Operations Center	50,000	-	50,000
Public Works Equipment	55,000	49,500	5,500
Water Access Morehead City Partnership	100,000	100,000	-
Water Access	863,000	-	863,000
Eastern Park Improvements	227,600	-	227,600
Newport Park Development	25,300	20,725	4,575
Swinson Park Improvements	282,234	249,454	32,780
Library Renovation	45,000	-	45,000
Capital Projects	1,800,000	-	1,800,000
Total expenditures	3,448,134	419,679	3,028,455
Revenues over (under) expenditures	(2,915,619)	(281,630)	2,633,989
Other financing sources			
Transfer in from General Fund	2,588,989	2,588,989	-
Transfer in from Other Funds	-	10,000	10,000
Fund Balance Appropriated	326,630	-	(326,630)
Total other financing sources	2,915,619	2,598,989	(316,630)
Revenue and other financing sources over expenditures	\$ -	2,317,359	\$ 2,317,359
Fund balances			
Beginning		1,855,309	
Ending		<u>\$ 4,172,668</u>	

Carteret County, North Carolina

School Special Projects Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2008

	Budget	Actual	Variance Positive (Negative)
Revenue			
Interest	\$ 6,000	\$ 183,738	\$ 177,738
Expenditures			
Capital outlay, Board of Education	5,020,697	3,995,444	1,025,253
Revenues under expenditures	(5,014,697)	(3,811,706)	(1,202,991)
Other financing sources			
Transfer from General Fund	2,508,000	2,508,000	-
Long-term debt issued	2,000,000	2,000,000	-
Fund balance appropriated	506,697	-	(506,697)
	<u>5,014,697</u>	<u>4,508,000</u>	<u>(506,697)</u>
Revenue and other financing sources over expenditures	<u>\$ -</u>	<u>696,294</u>	<u>\$ 696,294</u>
Fund balances			
Beginning		1,419,880	
Ending		<u>\$ 2,116,174</u>	

Carteret County, North Carolina

Morehead Elementary School Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2008

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
Revenue				
Intergovernmental	\$ -	\$ -	\$ 27,746	\$ 27,746
Interest	-	50,034	23,969	74,003
Total revenues	-	50,034	51,715	101,749
Expenditures				
Capital outlay:				
Building Improvements	2,000,000	1,205,939	269,638	1,475,577
Revenue under expenditures	(2,000,000)	(1,155,905)	(217,923)	(1,373,828)
Other financing sources				
Long-term debt issued	2,000,000	2,000,000	-	2,000,000
Revenue and other financing sources over expenditures	\$ -	\$ 844,095	(217,923)	\$ 626,172
Fund balances				
Beginning			844,095	
Ending			\$ 626,172	

Carteret County, North Carolina

East Carteret High School Building Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2008

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
Revenue				
Intergovernmental	\$ -	\$ -	\$ 180	\$ 180
Interest	-	48,259	183,722	231,981
Total revenues	-	48,259	183,902	232,161
Expenditures				
Capital outlay:				
East Carteret High School Building	5,829,518	480,822	3,844,200	4,325,022
Revenue under expenditures	(5,829,518)	(432,563)	(3,660,298)	(4,092,861)
Other financing sources				
Transfers in	1,607,518	-	1,607,518	1,607,518
Long-term debt issued	4,200,000	4,200,000	-	4,200,000
Bond Premium	22,000	21,787	-	21,787
	5,829,518	4,221,787	1,607,518	5,829,305
Revenue and other financing sources over expenditures	\$ -	\$ 3,789,224	(2,052,780)	\$ 1,736,444
Fund balances				
Beginning			3,789,224	
Ending			\$ 1,736,444	

Carteret County, North Carolina

Carteret Community College Renovation Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2008

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
Revenue				
Interest	\$ -	\$ -	\$ 49,627	\$ 49,627
Expenditures				
Capital outlay:				
Carteret Community College construction	1,700,000	2,410	905,554	907,964
Revenue under expenditures	(1,700,000)	(2,410)	(855,927)	(858,337)
Other financing sources				
Long-term debt issued	1,700,000	-	1,700,000	1,700,000
	1,700,000	-	1,700,000	1,700,000
Revenue and other financing sources over (under) expenditures	\$ -	\$ (2,410)	844,073	\$ 841,663
Fund balance (deficit)				
Beginning			(2,410)	
Ending			<u>\$ 841,663</u>	

Enterprise Fund

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Carteret County, North Carolina

Water Operating Fund

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

Year Ended June 30, 2008

	Budget	Actual	Variance Positive (Negative)
Revenue, Operating			
Charges for services	\$ 428,200	\$ 550,256	\$ 122,056
Total operating revenues	428,200	550,256	122,056
Expenditures, Operating			
Cost of sales and services:			
Salaries and benefits	194,068	170,553	23,515
Operating expense	178,900	207,110	(28,210)
Contracted services	51,500	50,019	1,481
Total operating expenditures	424,468	427,682	(3,214)
Operating revenue over operating expenditures	3,732	122,574	118,842
Nonoperating Revenue (Expenditures)			
Interest earnings	1,800	33,908	32,108
Revolving loan interest	(101,000)	(87,203)	13,797
Principal payments	(171,032)	(171,032)	-
Capital outlay	(11,500)	(15,704)	(4,204)
Total nonoperating revenue (expenditures)	(281,732)	(240,031)	41,701
Revenue (deficiency) over expenditures	(278,000)	(117,457)	160,543
Other Financing Sources (uses)			
Transfer from the General Fund	278,000	278,000	-
Total other financing sources	278,000	278,000	-
Revenue and other sources over expenditures	\$ -	\$ 160,543	\$ 160,543
Reconciliation of modified accrual basis to full accrual basis:			
Revenue and other financing uses over expenditures		\$ 160,543	
Decrease in debt interest accrued		801	
Increase in accrued vacation pay		(4,811)	
Depreciation		(294,276)	
Principal on debt		171,032	
Capital outlay		15,704	
Change in net assets, full accrual basis		\$ 48,993	

Agency Funds

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Carteret County, North Carolina

Agency Funds

Combining Balance Sheet
June 30, 2008

	Sheriff's Department Fund	Social Services Trust Fund	Motor Vehicle Agency	Totals
Assets				
Cash	\$ 62,925	\$ 32,945	\$ 1,380	\$ 97,250
Liabilities				
Accounts payable and accrued liabilities	\$ 62,925	\$ 32,945	\$ 1,380	\$ 97,250

Carteret County, North Carolina

Agency Funds

Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Sheriff's Department Fund:				
Assets, cash	\$ 35,369	\$ 256,611	\$ 229,055	\$ 62,925
Liabilities	\$ 35,369	\$ 256,611	\$ 229,055	\$ 62,925
Social Services Trust Fund:				
Assets, cash	\$ 43,255	\$ 135,056	\$ 145,366	\$ 32,945
Liabilities	\$ 43,255	\$ 135,056	\$ 145,366	\$ 32,945
Motor Vehicle Agency:				
Assets, cash	\$ 2,160	\$ 21,146	\$ 21,926	\$ 1,380
Liabilities	\$ 2,160	\$ 21,146	\$ 21,926	\$ 1,380
Totals - All Agency Funds:				
Assets, cash	\$ 80,784	\$ 412,813	\$ 396,347	\$ 97,250
Liabilities:				
Accounts payable and accrued liabilities	\$ 80,784	\$ 412,813	\$ 396,347	\$ 97,250

Governmental Funds Capital Assets

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Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Comparative Schedules by Source
June 30, 2008

	2008	2007
Governmental funds capital assets:		
Land, airport	\$ 169,549	\$ 169,549
Land, other	3,688,274	3,688,274
Construction in progress	20,725	-
Buildings	27,229,668	27,229,668
Vehicles	3,829,239	3,755,093
Equipment	4,511,725	4,059,925
Airport facilities	1,524,747	1,524,747
Other improvements	6,040,936	5,791,482
Total governmental funds capital assets	\$ 47,014,863	\$ 46,218,738
Investment in governmental funds capital assets		
General Fund	\$ 46,414,014	\$ 46,101,794
Capital Project Funds	600,849	116,944
Total investment in governmental funds capital assets	\$ 47,014,863	\$ 46,218,738

Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity
June 30, 2008

Function and Activity	Land	Buildings	Vehicles	Equipment	Airport Facilities	Other Improvements	Construction in Progress	Total
General Government:								
County Administration	\$ -	\$ -	\$ -	\$ 18,880	\$ -	\$ -	\$ -	\$ 18,880
Tax Administration	-	-	82,813	272,345	-	-	-	355,158
Register of Deeds	-	17,665	-	144,764	-	16,000	-	178,429
Elections	-	-	-	505,242	-	-	-	505,242
Information Technology	-	-	-	678,550	-	116,944	-	795,494
Public Buildings	1,371,703	7,515,292	156,660	18,230	-	2,054,285	-	11,116,170
Other	-	-	-	22,259	-	-	-	22,259
Total General Government	1,371,703	7,532,957	239,473	1,660,270	-	2,187,229	-	12,991,632
Public Safety:								
Law Enforcement	-	8,614,309	1,078,612	480,544	-	339,901	-	10,513,366
Emergency Services	43,000	16,850	361,155	1,686,811	-	-	-	2,107,816
Total Public Safety	43,000	8,631,159	1,439,767	2,167,355	-	339,901	-	12,621,182
Transportation	169,549	-	651,193	-	1,524,747	131,534	-	2,477,023
Environmental Protection	153,875	-	326,780	242,360	-	-	-	723,015
Economic and Physical Development	120,781	-	150,803	97,931	-	-	-	369,515
Human Services	303,775	7,313,236	778,647	106,813	-	30,000	-	8,532,471
Culture and Recreation	1,695,140	3,752,316	242,576	236,996	-	3,352,272	20,725	9,300,025
Total governmental funds capital assets	\$ 3,857,823	\$27,229,668	\$ 3,829,239	\$ 4,511,725	\$ 1,524,747	\$ 6,040,936	\$ 20,725	\$ 47,014,863

Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes by Function and Activity
Year Ended June 30, 2008

Function and Activity	Governmental Funds				Governmental Funds
	Capital Assets June 30, 2007	Additions	Deductions	Transfers	Capital Assets June 30, 2008
General Government:					
County administration	\$ 18,880	\$ -	\$ -	\$ -	\$ 18,880
Tax administration	355,158	-	-	-	355,158
Register of Deeds	178,429	-	-	-	178,429
Elections	505,242	-	-	-	505,242
Information technology	795,494	-	-	-	795,494
Public buildings	11,184,454	6,395	89,119	14,440	11,116,170
Other	22,259	-	-	-	22,259
Total General Government	13,059,916	6,395	89,119	14,440	12,991,632
Public Safety:					
Law enforcement	10,381,646	327,594	138,309	(57,565)	10,513,366
Emergency services	1,969,875	202,735	-	(64,794)	2,107,816
Total Public Safety	12,351,521	530,329	138,309	(122,359)	12,621,182
Transportation	2,406,992	72,906	25,019	22,144	2,477,023
Environmental protection	616,247	107,400	63,654	63,022	723,015
Economic and physical development	287,411	87,983	27,618	21,739	369,515
Human services	8,501,994	42,081	12,618	1,014	8,532,471
Culture and recreation	8,994,657	359,648	54,280	-	9,300,025
Total governmental funds capital assets	\$ 46,218,738	\$ 1,206,742	\$ 410,617	\$ -	\$ 47,014,863

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Other Financial Information

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

Carteret County, North Carolina

Schedule of Ad Valorem Taxes Receivable
June 30, 2008

Fiscal Year	Uncollected Balance June 30, 2007	Additions	Collections	Adjustments	Uncollected Balance June 30, 2008
2007-2008	\$ -	\$ 43,386,701	\$ 42,240,730	\$ (130,598)	\$ 1,015,373
2006-2007	975,121	-	587,982	(5,867)	381,272
2005-2006	348,676	-	124,298	4,893	229,271
2004-2005	228,066	-	49,840	(68,327)	109,899
2003-2004	154,510	-	21,941	(60,308)	72,261
2002-2003	69,023	-	13,883	(85)	55,055
2001-2002	53,666	-	7,246	(156)	46,264
2000-2001	39,772	-	4,609	(311)	34,852
1999-2000	42,703	-	2,940	1,272	41,035
1998-1999	19,576	-	1,445	81	18,212
1997-1998	25,568	-	594	(46)	24,928
	<u>\$ 1,956,681</u>	<u>\$ 43,386,701</u>	<u>\$ 43,055,508</u>	<u>\$ (259,452)</u>	<u>2,028,422</u>
Less write-off 1997-1998 tax year					<u>24,928</u>
					<u>2,003,494</u>
Less allowance for uncollectible ad valorem taxes receivable					<u>565,323</u>
Net property taxes receivable - General Fund					<u>\$ 1,438,171</u>
Reconciliation with revenue: Ad valorem taxes- General Fund					<u>\$ 43,055,508</u>

Carteret County, North Carolina

Analysis of Current Year's Tax Levy
Year Ended June 30, 2008

	<u>County Wide</u>		<u>Total Levy</u>		
	<u>Property</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property</u>	<u>Registered</u>
	<u>Valuation</u>			<u>Excluding</u>	<u>Motor Vehicles</u>
				<u>Registered</u>	<u>Motor Vehicles</u>
				<u>Motor Vehicles</u>	<u>Registered</u>
				<u>Motor Vehicles</u>	<u>Motor Vehicles</u>
Original levy:					
Property taxed at current year's rate	\$ 18,472,994,783	0.23	\$ 42,487,888	\$ 41,611,320	\$ 876,568
Motor vehicles taxes at prior year's rate	204,275,682	0.44	898,813	-	898,813
Total	18,677,270,465		43,386,701	41,611,320	1,775,381
Discoveries:					
Current year taxes	18,089,074		41,605	40,445	1,160
Corrections	38,224,783		87,917	86,151	1,766
Total	56,313,857		129,522	126,596	2,926
Abatements	(113,095,652)		(260,120)	(213,583)	(46,537)
Total property valuation	\$ 18,620,488,670				
Net levy-General Fund			43,256,103	41,524,333	1,731,770
Uncollected taxes at June 30, 2008 - General Fund			1,015,373	810,956	204,417
Current year's taxes collected - General Fund			\$ 42,240,730	\$ 40,713,377	\$ 1,527,353
Current levy collection percentage - General Fund			97.65%	98.05%	88.20%

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Statistical Section

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

Contents	Page
Financial Trends	147
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	159
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	169
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information	174
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	177
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, 2008 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 Six Fiscal Years
(accrual basis of accounting)**

	2003	2004	2005
Governmental activities			
Invested in capital assets, net of related debt	\$ 18,490,399	\$ 22,154,331	\$ 21,956,051
Restricted	1,904,375	2,568,301	3,437,892
Unrestricted	(23,228,517)	(29,121,252)	(21,493,929)
Total governmental activities net assets	\$ (2,833,743)	\$ (4,398,620)	\$ 3,900,014
Business-type activities			
Invested in capital assets, net of related debt	\$ 4,033,446	\$ 4,392,900	\$ 3,903,915
Unrestricted	(11,676)	(519,099)	(110,733)
Total business-type activities	\$ 4,021,770	\$ 3,873,801	\$ 3,793,182
Primary government			
Invested in capital assets, net of related debt	\$ 22,523,845	\$ 26,547,231	\$ 25,859,966
Restricted	1,904,375	2,568,301	3,437,892
Unrestricted	(23,240,193)	(29,640,351)	(21,604,662)
Total primary government net assets	\$ 1,188,027	\$ (524,819)	\$ 7,693,196

Note: Accrual-basis financial information for the county government as a whole is available back to 2003 only, the year GASB Statement 34 was implemented.

Schedule 1

Fiscal Year		
2006	2007	2008
\$ 23,399,525	\$ 22,287,747	\$ 21,792,965
4,154,799	7,127,547	10,233,675
(13,945,342)	(12,037,832)	(24,226,402)
\$ 13,608,982	\$ 17,377,462	\$ 7,800,238
\$ 3,630,795	\$ 3,665,231	\$ 3,557,690
192,739	392,417	548,951
\$ 3,823,534	\$ 4,057,648	\$ 4,106,641
\$ 27,030,320	\$ 25,952,978	\$ 25,350,655
4,154,799	7,127,547	10,233,675
(13,752,603)	(11,645,415)	(23,677,451)
\$ 17,432,516	\$ 21,435,110	\$ 11,906,879

Carteret County, North Carolina

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

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

(Continued)

Schedule 2
Page 1 of 3

Fiscal Year		
2006	2007	2008
\$ 4,996,540	\$ 6,133,328	\$ 6,254,064
13,459,003	14,263,740	16,381,281
710,225	979,342	892,718
5,571,720	5,543,270	4,848,724
3,362,113	2,916,754	2,914,590
14,971,013	15,939,574	16,656,957
2,910,221	2,990,410	3,355,687
21,224,743	30,048,298	47,189,262
2,281,034	2,934,102	3,690,063
69,486,612	81,748,818	102,183,346
607,483	728,319	813,171
\$ 70,094,095	\$ 82,477,137	\$ 102,996,517

Carteret County, North Carolina

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

	2003	2004	2005
Program Revenues			
Governmental activities			
Charges for services:			
General government	\$ 1,421,229	\$ 1,753,299	\$ 2,480,824
Public safety	588,953	1,017,748	314,680
Transportation	88,588	86,426	74,164
Economic and physical development	6,559	9,323	659,399
Environmental protection	1,257,955	1,279,272	1,305,582
Human services	307,258	476,032	417,154
Cultural and recreation	220,637	181,048	220,576
Interest on long term debt	33,874	-	-
Operating grants and contributions:			
General government	-	-	436,969
Public safety	641,546	429,368	644,075
Transportation	93,805	181,118	154,036
Economic and physical development	200,055	144,564	1,966,971
Environmental protection	102,789	752,852	52,000
Human services	6,548,733	6,617,017	7,115,185
Cultural and recreation	-	25,893	17,675
Education	131,162	416,606	470,259
Interest on long term debt			
Capital grants and contributions:			
Public safety	-	-	-
Transportation	81,000	96,365	-
Economic and physical development	194,622	2,203,754	-
Human services	9,796	-	-
Cultural and recreation	(6,528)	-	-
Total governmental activities program revenues	11,922,033	15,670,685	16,329,549

(Continued)

Schedule 2
Page 2 of 3

Fiscal Year		
2006	2007	2008
\$ 3,328,301	\$ 2,136,825	\$ 1,917,552
227,728	197,975	232,885
86,527	93,686	86,039
832,350	909,245	650,171
2,136,283	2,209,037	2,229,849
557,621	616,532	564,816
238,638	287,314	222,019
-	-	-
234,518	375,440	52,670
795,183	414,350	736,971
268,667	377,847	315,952
256,175	1,394,075	82,939
573,220	-	342,511
6,975,699	7,595,165	8,637,735
-	1,680	1,165
506,611	160,871	290,335
-	850,000	850,000
191,221	-	-
143,313	-	63,694
508,607	-	-
-	-	-
48,641	-	-
17,909,303	17,620,042	17,277,303

Carteret County, North Carolina

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

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

Note: Accrual-basis financial information for the county government as a whole is available back to 2003 only, the year GASB Statement 34 was implemented

Schedule 2
Page 3 of 3

Fiscal Year		
2006	2007	2008
\$ 361,888	\$ 493,342	\$ 550,256
-	-	-
-	146,065	-
361,888	639,407	550,256
\$ 18,271,191	\$ 18,259,449	\$ 17,827,559
\$ (51,577,309)	\$ (64,128,776)	\$ (84,906,043)
(245,595)	(88,912)	(262,915)
\$ (51,822,904)	\$ (64,217,688)	\$ (85,168,958)
\$ 38,994,213	\$ 42,377,566	\$ 48,592,344
14,303,322	16,794,865	17,531,935
6,730,679	5,276,663	5,415,909
164,954	397,918	665,684
1,302,511	3,196,255	3,310,752
1,538	142,989	90,195
(210,940)	(289,000)	(278,000)
61,286,277	67,897,256	75,328,819
8,924	23,451	33,908
56,084	10,574	-
210,940	289,000	278,000
275,948	323,025	311,908
\$ 61,562,225	\$ 68,220,281	\$ 75,640,727
\$ 9,708,968	\$ 3,768,480	\$ (9,577,224)
30,353	234,113	48,993
\$ 9,739,321	\$ 4,002,593	\$ (9,528,231)

Carteret County, North Carolina

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

	1999	2000	2001	2002
General Fund				
Reserved for:				
State statute	\$ 3,164,347	\$ 4,196,235	\$ 3,943,495	\$ 4,029,812
Prepaid expenses	-	-	-	-
Sheriff's fund	29,306	26,194	82,081	53,256
Debt Service	1,076,521	1,488,357	1,079,234	1,090,339
Recreation districts	57,520	72,410	51,368	56,317
Health programs	492,733	529,407	450,339	546,735
Register of deeds	-	-	-	32,248
Beach nourishment	-	-	-	319,080
Total reserve	4,820,427	6,312,603	5,606,517	6,127,787
Unreserved:				
Designated for subsequent year's expenditures	2,845,617	3,386,473	373,393	150,000
Undesignated	5,722,097	6,448,978	6,196,087	7,731,989
Total General Fund	\$ 13,388,141	\$ 16,148,054	\$ 12,175,997	\$ 14,009,776
All Other Governmental Funds				
Reserved for:				
State statute	\$ 624,302	\$ 368,134	\$ 323,989	\$ 1,472,683
E911 wireless				
Special districts				
Debt service	979,612	-	-	-
	1,603,914	368,134	323,989	1,472,683
Unreserved:				
Designated for subsequent year's expenditures	4,276,974	12,702,244	3,703,525	2,225,540
Undesignated special revenue funds	1,260,382	65,208	129,219	(604,463)
Undesignated capital projects funds	609,134	2,032,295	2,745,706	1,314,414
Total all other governmental funds	\$ 7,750,404	\$ 15,167,881	\$ 6,902,439	\$ 4,408,174

Schedule 3

Fiscal Year									
2003	2004	2005	2006	2007	2008				
\$ 3,597,460	\$ 4,559,818	\$ 5,407,652	\$ 5,245,544	\$ 5,441,376	\$ 6,058,268				
-	-	-	-	-	92,056				
37,620	35,085	49,755	24,161	39,116	61,376				
107,643	-	-	-	-	-				
58,047	61,462	62,739	55,053	88,593	88,665				
572,992	863,342	934,948	1,081,508	1,177,309	1,135,530				
132,889	167,528	113,478	190,045	251,440	293,368				
502,684	890,063	1,340,869	2,040,923	4,023,290	5,996,954				
5,009,335	6,577,298	7,909,441	8,637,234	11,021,124	13,726,217				
659,590	694,536	1,230,000	825,000	155,000	720,000				
9,809,415	12,054,667	14,115,874	18,814,243	21,917,920	23,152,988				
\$ 15,478,340	\$ 19,326,501	\$ 23,255,315	\$ 28,276,477	\$ 33,094,044	\$ 37,599,205				
\$ 952,829	\$ 1,015,324	\$ 1,301,271	\$ -	\$ -	\$ -				
-	-	-	-	741,702	-				
-	-	-	-	410,542	1,147,999				
-	-	-	-	-	-				
952,829	1,015,324	1,301,271	-	1,152,244	1,147,999				
11,696,201	3,142,539	310,643	22,877,167	36,035,398	19,382,507				
(551,173)	(672,314)	(740,779)	614,664	371,947	1,006,822				
1,397,660	1,681,975	1,883,349	1,418,615	3,650,440	4,891,288				
\$ 13,495,517	\$ 5,167,524	\$ 2,754,484	\$ 24,910,446	\$ 41,210,029	\$ 26,428,616				

Carteret County, North Carolina

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

	1999	2000	2001	2002
Revenue				
Taxes:				
Property	\$ 24,481,785	\$ 29,352,572	\$ 30,819,589	\$ 34,552,936
Sales and other taxes	12,539,196	13,198,118	14,023,012	15,059,252
Total taxes	37,020,981	42,550,690	44,842,601	49,612,188
Permits and fees	1,331,064	1,245,765	1,423,786	1,602,838
Intergovernmental(1)	12,264,535	12,143,560	9,172,131	12,036,121
Sales and services	1,006,710	1,305,467	1,285,166	1,567,251
Interest	1,199,126	1,509,048	1,542,038	492,001
Miscellaneous	531,407	224,114	132,050	175,399
Total revenue	53,353,823	58,978,644	58,397,772	65,485,798
Expenditures				
General government	2,993,951	3,799,606	3,646,451	3,290,839
Public safety	7,579,257	8,095,935	8,734,138	9,500,776
Transportation(1)	118,156	416,441	482,394	437,185
Environmental protection	3,808,134	4,014,794	3,303,036	4,043,058
Economic development(1)	3,505,224	3,295,324	2,674,871	2,611,691
Human services	9,469,558	11,622,653	13,179,127	13,261,242
Culture and recreation	1,695,707	2,036,509	2,320,777	1,988,228
Education	15,099,455	18,897,588	19,679,070	19,570,613
Capital outlay	7,689,051	5,948,014	11,798,882	8,342,872
Debt service:				
Principal	2,958,454	3,073,368	4,113,160	3,511,418
Interest	2,301,549	2,116,022	2,883,365	2,588,362
Total expenditures	57,218,496	63,316,254	72,815,271	69,146,284
Excess of revenues over (under) expenditures	(3,864,673)	(4,337,610)	(14,417,499)	(3,660,486)
Other financing sources (uses):				
Transfers in	7,453,692	4,517,231	3,720,807	3,392,905
Transfers out	(7,453,692)	(4,517,231)	(3,720,807)	(3,392,905)
Bond premium	-	-	-	-
Bonds issued	-	14,515,000	-	-
Refunding bonds issued	-	-	-	-
Payment to refunding escrow agent	-	-	-	-
Proceeds from installment note	705,000	-	2,180,000	3,000,000
Total other financing sources (uses)	705,000	14,515,000	2,180,000	3,000,000
Net change in fund balances	\$ (3,159,673)	\$ 10,177,390	\$ (12,237,499)	\$ (660,486)
Debt service as a percentage of noncapital expenditures	10.62%	9.05%	11.47%	10.03%

Note: (1) Amounts shown above for years prior to fiscal 2003 have been restated to show transfers in/out with component units as revenue and expenditures.

Schedule 4

	2003	2004	2005	2006	2007	2008
\$	34,856,263	\$ 36,273,316	\$ 37,171,758	\$ 38,995,144	\$ 42,487,337	\$ 48,720,636
	15,582,901	17,090,746	18,828,672	21,034,001	22,071,528	22,947,844
	50,439,164	53,364,062	56,000,430	60,029,145	64,558,865	71,668,480
	2,111,540	2,618,847	3,093,945	4,164,371	3,633,685	3,079,055
	8,436,038	11,673,902	11,337,622	10,666,809	11,567,346	12,039,656
	1,784,053	1,862,663	1,742,529	2,589,990	2,566,066	2,650,004
	481,721	266,890	612,987	1,302,510	3,196,255	3,310,752
	308,426	223,359	379,277	698,189	350,904	267,994
	63,560,942	70,009,723	73,166,790	79,451,014	85,873,121	93,015,941
	3,331,803	3,438,530	4,190,354	4,898,195	5,312,246	5,745,169
	10,528,723	11,294,641	12,472,725	13,422,324	13,947,141	16,132,558
	452,826	579,790	493,593	736,491	847,387	858,646
	2,434,842	2,958,295	2,744,907	3,404,122	2,891,843	2,900,884
	3,989,727	4,238,767	4,815,319	5,585,495	4,334,443	4,959,166
	13,551,316	13,719,420	14,094,168	14,659,109	15,696,967	16,391,072
	2,029,285	2,007,580	2,240,196	2,548,009	2,737,147	3,013,274
	17,738,085	17,976,423	18,699,023	18,870,730	20,196,594	21,556,439
	7,535,298	12,112,063	5,161,345	3,836,951	11,289,414	26,052,502
	8,558,910	4,706,571	4,316,572	4,175,000	4,785,000	5,922,857
	3,020,159	2,659,162	2,352,193	2,161,065	2,954,302	3,568,542
	73,170,974	75,691,242	71,580,395	74,297,491	84,992,484	107,101,109
	(9,610,032)	(5,681,519)	1,586,395	5,153,523	880,637	(14,085,168)
	1,712,779	3,415,367	2,539,943	4,477,917	6,502,225	9,407,194
	(1,760,779)	(3,485,367)	(2,610,564)	(4,688,857)	(6,791,225)	(9,408,499)
	-	-	-	365,126	94,928	-
	20,248,383	-	-	22,000,000	20,300,000	-
	-	21,215,898	-	-	-	-
	-	(21,079,633)	-	-	-	-
	-	-	-	-	-	3,810,221
	20,200,383	66,265	(70,621)	22,154,186	20,105,928	3,808,916
\$	10,590,351	\$ (5,615,254)	\$ 1,515,774	\$ 27,307,709	\$ 20,986,565	\$ (10,276,252)
	17.64%	11.59%	10.04%	8.99%	10.50%	11.71%

Carteret County, North Carolina

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

Fiscal Year Ended June 30	Real Property				Total	Personal Property
	Residential Property	Commercial Property	Industrial Property	Present-use Value(1)		
1999 ⁽⁵⁾	\$ 4,829,925,832	\$ -	\$ -	\$ -	\$ 4,829,925,832	\$ 449,038,101
2000	4,245,427,956	553,260,582	17,728,361	24,262,381	4,840,679,280	591,147,538
2001 ⁽⁵⁾	4,914,232,566	-	-	37,249,571	4,951,482,137	692,891,457
2002 ⁽¹⁾	5,667,461,118	677,024,872	10,537,143	45,543,709	6,400,566,842	687,404,277
2003	5,778,763,348	702,452,708	11,382,044	45,411,773	6,538,009,873	731,270,275
2004 ⁽⁶⁾	6,842,280,986	-	-	-	6,842,280,986	711,166,262
2005	6,295,378,065	669,099,255	12,308,209	41,848,004	7,018,633,533	747,563,922
2006	6,414,514,407	712,215,743	22,227,041	40,978,359	7,189,935,550	915,126,779
2007	5,993,578,505	1,675,786,250	246,148,708	42,108,553	7,957,622,016	572,630,759
2008 ⁽⁶⁾	15,997,721,971	1,432,073,317	37,881,139	72,565,474	17,540,241,901	953,369,547

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 State Department of Revenue. The ratio is based on actual property sales which took place during the fiscal year. The ratio for the most recent year is not yet available.
- (5) Breakout of real property is unavailable
- (6) Revaluation Years

Schedule 5

Public Service Companies (2)	Total Assessed Valuation	Total Direct Tax Rate(3)	Estimated Actual Taxable Value(4)
\$ 94,814,401	\$ 5,373,778,334	0.50	\$ 6,060,424,421
92,154,411	5,523,981,229	0.51	6,407,587,552
97,049,097	5,741,422,691	0.44	7,441,895,905
97,192,027	7,185,163,146	0.42	7,185,163,146
97,130,761	7,366,410,909	0.42	7,833,274,042
99,064,090	7,652,511,338	0.42	8,277,459,533
99,766,355	7,865,963,810	0.42	9,081,001,859
84,739,347	8,189,801,676	0.42	10,528,090,598
88,997,177	8,619,249,952	0.44	14,260,837,114
126,877,222	18,620,488,670	0.23	18,620,488,670

Carteret County, North Carolina

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

	1999	2000	2001	2002	2003
Municipalities					
Carteret County	0.4200	0.5000	0.5100	0.4400	0.4200
Atlantic Beach	0.3100	0.3100	0.2900	0.2100	0.2300
Beaufort	0.3450	0.3450	0.3850	0.3400	0.3600
Bogue	0.0500	0.0500	0.0500	0.0500	0.0500
Cape Carteret	0.2600	0.2600	0.2600	0.2300	0.2300
Cedar Point	0.0500	0.0500	0.0500	0.0500	0.0500
Emerald Isle	0.1850	0.1950	0.1950	0.1750	0.1850
Indian Beach	0.1700	0.1700	0.1700	0.1600	0.1600
Morehead City	0.4600	0.4000	0.4000	0.3800	0.3800
Newport	0.4200	0.4200	0.4500	0.4300	0.4300
Pelletier	0.0500	0.0500	0.0500	0.0500	0.0500
Pine Knoll Shores	0.1600	0.1600	0.1600	0.1600	0.1700
Fire Districts					
Atlantic	0.0500	0.0500	0.0500	0.0400	0.0550
Atlantic Beach ^c	0.1000	0.1000	0.1000	0.1000	-
Beaufort	0.0600	0.0600	0.0600	0.0500	0.0600
Broad & Gales Creek	0.0400	0.0400	0.0400	0.0350	0.0400
Cedar Island	0.1000	0.1000	0.1000	0.1000	0.1000
Davis	0.1000	0.1000	0.1000	0.1000	0.1000
Harkers Island	0.0400	0.0400	0.0600	0.0600	0.0600
Harlowe	0.0550	0.0550	0.0550	0.0550	0.0550
Marshallberg	0.0700	0.0700	0.0700	0.0600	0.0700
Mill Creek	0.0600	0.0550	0.0700	0.0550	0.0550
Mitchell Village	0.0800	0.0800	0.0800	0.0800	0.0800
Newport	0.0600	0.0600	0.0600	0.0550	0.0700
North River	0.0900	0.0900	0.0900	0.0700	0.0750
Otway	0.0400	0.0400	0.0400	0.0400	0.0400
Salter Path	0.0500	0.0500	0.0500	0.0500	0.0500
Sea Level	0.1000	0.1000	0.1000	0.1000	0.1000
South River/ Merrimon	0.0700	0.0700	0.0700	0.0700	0.0700
Stacy	0.0800	0.0800	0.0800	0.0800	0.0800
Stella	0.0500	0.0500	0.0500	0.0500	0.0500
Western Carteret	0.0400	0.0400	0.0550	0.0700	0.0700
Wildwood	0.0600	0.0600	0.0600	0.0500	0.0800

(Continued)

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2004	2005	2006	2007	2008
0.4200	0.4200	0.4200	0.4400	0.2300
0.2300	0.2300	0.2300	0.2600	0.1500
0.3600	0.3800	0.3800	0.3800	0.1900
0.0500	0.0500	0.0500	0.0500	0.0500
0.2300	0.2300	0.2300	0.2300	0.1550
0.0500	0.0500	0.0500	0.0500	0.0500
0.1750	0.1650	0.1550	0.1550	0.0670
0.1600	0.0900	0.1000	0.1000	0.0600
0.3800	0.3800	0.3800	0.3800	0.2200
0.4300	0.4300	0.4300	0.4000	0.2700
0.0500	0.0500	0.0500	0.0500	0.0500
0.1800	0.1800	0.1800	0.1800	0.0800
0.0650	0.0650	0.0650	0.0650	0.0700
-	-			
0.0600	0.0600	0.0700	0.0550	0.0300
0.0400	0.0400	0.0400	0.0550	0.0450
0.1000	0.1000	0.1000	0.1000	0.1000
0.1000	0.1000	0.1000	0.1000	0.0850
0.0600	0.0600	0.0600	0.0600	0.0400
0.0550	0.0550	0.0550	0.0550	0.0450
0.0700	0.0700	0.0700	0.0700	0.0850
0.0550	0.0550	0.0550	0.0550	0.0450
0.0800	0.0800	0.0800	0.0800	0.0900
0.0800	0.0800	0.0800	0.0800	0.0400
0.0750	0.0750	0.0750	0.0750	0.0450
0.0400	0.0400	0.0400	0.0400	0.0250
0.0500	0.0500	0.0600	0.0700	0.0300
0.1000	0.1000	0.1000	0.1000	0.1000
0.0700	0.0700	0.0700	0.0700	0.0550
0.0800	0.0800	0.0800	0.0800	0.0600
0.0500	0.0500	0.0500	0.0500	0.0250
0.0700	0.0700	0.0700	0.0700	0.0400
0.0750	0.0950	0.0950	0.0950	0.0450

Carteret County, North Carolina

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

	1999	2000	2001	2002	2003
Rescue Districts					
Beaufort	0.0450	0.0450	0.0450	0.0400	0.0550
Broad & Gales Creek	0.0150	0.0150	0.0200	0.0200	0.0350
Mill Creek ¹		0.0100	0.0100	0.0100	0.0200
Mitchell Village	0.0400	0.0400	0.0400	0.0400	0.0400
Otway	0.0250	0.0500	0.0600	0.0450	0.0550
Sea Level	0.0900	0.1000	0.1000	0.1375	0.1675
Western Carteret	0.0200	0.0470	0.0500	0.0500	0.0500
Beach Nourishment Districts					
Salter Path ³					0.4300
Indian Beach Non Ocean Front ³					0.0500
Indian Beach Ocean Front ³					0.4800
Emerald Isle Non Ocean Front ³					0.0300
Emerald Isle Ocean Front ³					0.4800
Pine Knoll Shores Ocean Front ⁴					
Pine Knoll Shores Non Ocean Front ⁴					

Source: Carteret County Tax Department

Notes:

¹ First Year Tax District 2000

²Annexed by town of Atlantic Beach 2002

³First Year Tax District 2003

⁴First Year Tax District 2004

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Page 2 of 2

2004	2005	2006	2007	2008
0.0550	0.0550	0.0550	0.0600	0.0250
0.0450	0.0550	0.0750	0.0750	0.0350
0.0200	0.0200	0.0200	0.0200	0.0450
0.0400	0.0400	0.0400	0.0400	0.0250
0.0550	0.0550	0.0550	0.0550	0.0300
0.1675	0.1675	0.1675	0.1675	0.1200
0.0500	0.0550	0.0500	0.0500	0.0300
0.4300	0.4300	0.4300	0.4300	0.0000
0.0500	0.0200	0.0200	0.0200	0.0200
0.4800	0.2200	0.2200	0.3200	0.2200
0.0300	0.0300	0.0300	0.1850	0.0110
0.4800	0.4800	0.4800	0.6350	0.1620
0.4200	0.4200	0.0600	0.6000	0.0264
0.0600	0.0600	0.2000	0.2400	0.1727

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Ten Largest Taxpayers
Current Year and Nine Years Ago

Name of Taxpayer	Type of Enterprise	Fiscal Year 2008			Fiscal Year 1999		
		Assessed Valuation	Rank	Percent of Total Assessed Valuation	Assessed Valuation	Rank	Percent of Total Assessed Valuation
Bogue Watch LLC	Real Estate	\$ 92,137,262	1		\$ -		
Open Grounds Farm, Inc.	Farm	70,558,730	2		44,782,720	1	0.84%
Member Corp.	Utility	45,279,252	3	0.243%	29,651,157	3	0.56%
Progress Energy	Utility	38,242,907	4	0.205%	-		-
Goose Creek Landing HOA	Real Estate	33,632,381	5	0.181%	-		-
Carolina Telephone	Utility	30,358,144	6	0.163%	32,920,308	2	0.62%
GR&S Atlantic Beach LTD	Hotel	26,471,645	7	0.142%	-		-
Atlantic Vaneer Corp	Manufacturing	22,658,937	8	0.122%	15,946,819	6	0.30%
Paxon Holz	Real Estate	21,601,435	9	0.116%	26,390,942	4	0.50%
Block 39 LLC	Real Estate	17,593,719	10	0.094%	-	-	-
Carolina Power & Light	Utility	-	-	-	26,364,281	5	0.49%
Weyerhaeuser Company	Real Estate	-	-	-	15,689,603	7	0.30%
Atlantic Beach Hotel, LTD	Hotel	-	-	-	15,091,082	8	0.28%
Golf & Shores Properties	Real Estate	-	-	-	12,123,287	9	0.23%
Glimcher Properties LTD	Real Estate	-	-	-	11,955,932	10	0.23%
		\$ 398,534,412		1.266%	\$ 186,133,411		4.350%

Source: Carteret County Tax Department

Carteret County, North Carolina

**Property Tax Levies and Collections (1)(2)
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year (Original Levy)		Collected Within the Fiscal Year of the Levy		
			Total Tax Levy (1)(2)	Amount	Percentage of Levy
1999	\$ 24,032,843	\$ 404,648	\$ 24,437,491	\$ 23,576,414	96.48%
2000	29,192,626	434,423	29,627,049	28,576,260	96.45%
2001	28,807,745	(33,876)	28,773,869	27,734,112	96.39%
2002	31,479,493	239,886	31,719,329	30,443,658	95.98%
2003	30,956,268	14,728	30,970,996	29,898,714	96.54%
2004	32,194,055	(53,507)	32,140,548	31,217,821	97.13%
2005	33,055,434	(18,386)	38,057,048	32,055,875	97.03%
2006	34,299,028	98,139	34,397,167	33,517,698	97.44%
2007	37,997,380	(112,802)	37,884,578	36,909,457	97.43%
2008	43,386,701	(130,598)	43,256,103	42,240,730	97.65%

Notes:

(1) Includes General and Special Revenue Funds fiscal year 1999 - 2000; fiscal years 2001 - 2008 include General Fund.

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

Schedule 8

Total Collections to Date		
Collections of Subsequent Years	Amount	Percentage of Levy
\$ 782,988	\$ 24,359,402	99.68%
589,834	29,166,094	98.45%
794,819	28,528,931	99.15%
959,363	31,403,021	99.00%
1,223,876	31,122,590	100.49%
1,044,755	32,262,576	100.38%
943,884	32,999,759	99.84%
976,114	34,493,812	100.26%
795,452	37,704,909	99.53%
814,778	43,055,508	99.54%

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

Fiscal Year	Governmental Activities			Business Activity	Total Primary Government	Per Capita (1)	Percentage of Personal Income (1)
	General Obligation Bonds	Certificates of Participation	Installment Loans	Installment Loans			
1999	\$ 29,450,000	\$ 7,585,000	\$ 705,000	\$ -	\$ 37,740,000	\$ 622	2.61%
2000	19,250,000	20,480,000	1,047,722	-	40,777,722	662	2.67%
2001	26,850,000	18,070,000	2,328,471	-	47,248,471	767	2.93%
2002	25,150,000	16,625,000	4,962,053	-	46,737,053	750	2.89%
2003	31,050,000	24,285,000	3,073,143	467,612	58,875,755	970	3.49%
2004	29,695,000	22,240,000	2,516,572	589,608	55,041,180	909	3.05%
2005	27,650,000	20,545,000	2,100,000	2,980,303	53,275,303	872	2.74%
2006	47,605,000	18,715,000	1,800,000	3,328,720	71,448,720	1,138	3.52%
2007	63,220,000	16,915,000	3,500,000	3,156,512	86,791,512	1,367	*
2008	59,550,000	15,605,000	6,367,364	2,985,480	84,507,844	1,335	*

* Information not yet available

Notes: Details regarding the County's outstanding debt can be found in the notes to the 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 year 2007 and 2008.

**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
1999	\$ 29,450,000	\$ 5,373,778,334	0.55%	2.04%	60,719	\$ 485.03
2000	28,150,000	5,523,981,229	0.51%	1.84%	61,587	457.08
2001	26,850,000	5,644,373,594	0.46%	1.67%	61,600	435.88
2002	25,150,000	7,185,163,146	0.35%	1.55%	62,326	403.52
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%	61,122	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%	*	63,511	995.42
2008	59,550,000	18,620,488,670	0.32%	*	63,294	940.85

Notes: Details regarding the County's outstanding debt can be found in the notes to the Financial Statements

(1) NC Office of State Planning

*Personal income not available to calculate fiscal year 2007 and 2008

Carteret County, North Carolina

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

	1999	2000	2001	2002
Assessed values of property	\$ 5,373,778,334	\$ 5,523,981,229	\$ 5,644,373,594	\$ 7,185,163,146
Debt limit 8% of assessed value	429,902,267	441,918,498	451,549,888	574,813,052
Gross debt:				
Total bonded debt	37,035,000	48,630,000	44,920,000	41,775,000
Installment debt	705,000	551,632	2,328,471	4,962,053
Authorized unissued bonded debt	-	13,525,000	7,600,000	7,600,000
Total amount of debt applicable to debt limit	37,740,000	62,706,632	54,848,471	54,337,053
Legal debt margin	\$ 392,162,267	\$ 379,211,866	\$ 396,701,417	\$ 520,475,999
Total net debt applicable to the limit as a percentage of debt limit	8.78%	14.19%	12.15%	9.45%

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2003	2004	2005	2006	2007	2008
\$ 7,366,410,909	\$ 7,652,511,388	\$ 7,865,963,810	\$ 8,189,801,676	\$ 8,619,249,952	\$ 18,620,488,670
589,312,873	612,200,911	629,277,105	655,184,134	689,539,996	1,489,639,094
55,335,000	52,095,000	48,195,000	66,320,000	80,135,000	75,155,000
3,073,143	2,516,572	2,100,000	1,800,000	3,500,000	6,367,364
-	-	-	28,010,000	9,710,000	9,710,000
58,408,143	54,611,572	50,295,000	96,130,000	93,345,000	91,232,364
\$ 530,904,730	\$ 557,589,339	\$ 578,982,105	\$ 559,054,134	\$ 596,194,996	\$ 1,398,406,730
9.91%	8.92%	7.99%	14.67%	13.54%	6.12%

Computation of Direct and Underlying Debt
 General Obligation Bonds
 June 30, 2008

	Outstanding Debt	Percent Applicable to County	Amount Applicable to County
Direct			
Carteret County	\$ 75,155,000	100.00%	\$ 75,155,000
Underlying			
Town of Beaufort	670,578	100.00%	670,578
Town of Atlantic Beach	25,000	100.00%	25,000
Town of Emerald Isle	8,275,000	100.00%	8,275,000
Town of Newport	932,500	100.00%	932,500
Town of Pine Knoll Shores	11,597,861	100.00%	11,597,861
	<u>\$ 96,655,939</u>		<u>\$ 96,655,939</u>

**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)
1999	60,719	\$1,444,680	\$21,375	4.40%	8,221
2000	61,587	1,529,989	21,644	3.80%	8,326
2001	61,600	1,611,284	24,059	3.10%	8,271
2002	62,326	1,618,781	26,090	4.98%	8,177
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	*	*	4.02%	8,297
2008	63,294	*	*	4.74%	8,297

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 Employment Security Commission

(4) Carteret County Board of Education

* Information Unavailable

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

Employer	2008			1999		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Carteret County Public Schools	1,439	1	4.40%	1,197	1	3.96%
Carteret General Hospital	994	2	3.04%	800	2	2.64%
Wal-Mart	544	3	1.66%	320	6	1.06%
Carteret County	437	4	1.33%	330	5	1.09%
Atlantic Veneer	350	5	1.07%	385	3	1.27%
Carteret Community College	348	6	1.06%	270	8	0.89%
US Coast Guard	273	7	0.83%	300	7	0.99%
Henry's Tackle & Sporting Goods	237	8	0.72%	227	9	0.75%
NC Natural Resources & Community	229	9	0.70%	-	-	0.00%
Bally Refrigerated Boxes, Inc.	171	10	0.52%	-	-	0.00%
Cross Creek Apparel, Inc.	-	-	-	223	10	0.74%
Food Lion	-	-	-	349	4	1.15%

Source: Carteret County Economic Development Council

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Carteret County, North Carolina

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

Function/Program	Full-Time				
	1999	2000	2001	2002	2003
General government	51.00	54.00	51.00	51.00	48.00
Public safety	98.00	90.00	90.00	98.00	98.75
Transportation	-	1.00	1.00	2.00	2.00
Economic and physical development	16.00	25.00	25.00	24.00	21.00
Environmental protection	10.00	10.00	10.00	9.00	8.00
Human Services	141.00	151.00	153.00	153.95	153.60
Cultural and recreation	19.00	20.00	20.00	20.40	19.40
Water/Sewer (Business activity)	-	-	-	-	2.20
Total	335.00	351.00	350.00	358.35	352.95

Source: County Finance Department

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

Vacant positions are not included in the above numbers.

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.

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Equivalent Employees

2004	2005	2006	2007	2008
49.00	47.00	61.30	63.60	66.10
98.75	100.75	102.75	106.00	119.00
2.00	2.00	2.00	2.00	2.00
14.00	15.00	17.00	17.00	18.50
8.80	9.80	9.80	8.00	6.00
153.25	156.25	154.15	162.60	171.80
20.00	20.00	21.00	21.00	22.00
2.20	2.20	3.70	4.40	4.40
348.00	353.00	371.70	384.60	409.80

Compliance Section

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

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McGladrey & Pullen

Certified Public Accountants

**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, 2008, which collectively comprise Carteret County's basic financial statements, and have issued our report thereon dated November 13, 2008. Our report was modified to include 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

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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify and deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

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

McGladrey & Pullen, LLP

Morehead City, North Carolina
November 13, 2008

McGladrey & Pullen

Certified Public Accountants

**Independent Auditor's Report
on Compliance With Requirements Applicable to 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 the compliance of Carteret County, North Carolina, with the types of compliance requirements described in the U. S. Office of Management and Budget ("OMB") Circular A-133 *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2008. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Carteret County is responsible for establishing and maintaining effective internal control over compliance with 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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

McGladrey & Pullen, LLP

Morehead City, North Carolina
November 13, 2008

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Compliance With Requirements Applicable to 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 the compliance of Carteret County, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2008. Carteret County's major State program is 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 program 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 on Carteret County's compliance with those requirements.

In our opinion, Carteret County complied, in all material respects, with the requirements referred to above that are applicable to its major State program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Carteret County is responsible for establishing and maintaining effective internal control over compliance with 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 requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a State program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a State program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a State program will not be prevented or detected by the County's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

McGladrey & Pullen, LLP

Morehead City, North Carolina
November 13, 2008

Carteret County, North Carolina

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2008**

I - Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ Yes	_____ X	No
Significant deficiency(ies) identified that are not not considered to be material weakness(es)?	_____ Yes	_____ X	None Reported
Noncompliance material to financial statements noted?	_____ Yes	_____ X	No

Federal Awards

Internal control over major federal programs:			
Material weakness(es) identified?	_____ Yes	_____ X	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ Yes	_____ X	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?	_____ Yes	_____ X	No

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA</u>
Medical Assistance	93.778
Child Care and Development Fund Cluster	93.575/93.596
TANF/Work First	93.558
Dollar threshold used to distinguish between type A and type B programs:	<u>\$1,417,230</u>
Auditee qualified as low-risk auditee?	_____ X Yes _____ No

(Continued)

Carteret County, North Carolina

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2008

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

State Awards

Internal control over major State programs:

Material weakness(es) identified?	_____ Yes	_____ X _____ No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ Yes	_____ X _____ None Reported

Type of auditor's report issued on compliance for major State programs

Unqualified

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:

Program Name

Grant Number

State/County Special Assistance Domiciliary Care

II. Financial Statement Findings

None reported.

(Continued)

Carteret County, North Carolina

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2008**

III - Federal Award Findings and Questioned Costs

None reported.

IV - State Award Findings and Questioned Costs

None reported.

Carteret County, North Carolina

**Corrective Action Plan
Year Ended June 30, 2008**

No corrective action plan is required for the current year.

Carteret County, North Carolina

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008**

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, 2008**

	CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
Federal Assistance					
US Department of Agriculture:					
Passed through NC Department of Agriculture: Administered by County Finance Department Soil and water conservation	10.550		\$ 21,204	\$ -	\$ 49,440
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		180,825	-	80,918
Benefit Payments - noncash	10.557		969,574	-	-
			<u>1,150,399</u>	<u>-</u>	<u>80,918</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 Program Food Stamp Cluster: Food Stamp Benefit Payments - noncash	10.551		4,903,922	-	-
Food Stamp Admin	10.561		266,366	-	266,366
Food Stamp E&T & Depend Care	10.561		1,788	-	1,788
Food Stamp Fraud Admin	10.561		32,708	-	32,708
			<u>5,204,784</u>	<u>-</u>	<u>300,862</u>
Total US Department of Agriculture			<u>6,376,387</u>	<u>-</u>	<u>431,220</u>
US Department of Commerce:					
Passed through NC Department of Environment & Natural Resources Division of Water Quality Coastal Zone Management Awards-Minor Permit/County Aid	11.419		6,735	-	-
US Department of Interior:					
Direct Program: Administered by County Finance Department: National Forest, Public Schools	15.225		150,383	-	-

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2008

	CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
US Department of Transportation:					
Passed through NC Department of Transportation:					
Administered by County CCATS Department:					
Rural Operating Assistance Including Elderly and Disabled:					
Rural General Public Program Coordinators Administration Grant	20.509		\$ 120,146	\$ 7,509	\$ 36,760
Passed through NC Department of Crime Control and Public Safety,					
Division of Emergency Management					
Administered by County Emergency Management Department	20.703		4,900	-	-
Total US Department of Transportation			125,046	7,509	36,760
US Department of Health and Human Services:					
Passed through NC Department of Health and Human Services:					
NC Division of Aging and Adult Services, Eastern Carolina					
Council - Aging Cluster:					
Title III D	93.043		7,116	419	837
HCCBG In-Home Support Services	93.044		198,727	11,690	23,380
HCCBG - Access	93.044		37,664	2,215	4,431
HCCBG Congregate Meals	93.045		84,499	4,970	9,941
HCCBG Home Delivered Meals	93.045		18,938	1,114	2,228
HCCBG In-Home Support Services	93.667		11,395	326	1,302
			358,339	20,734	42,119
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)	93.053		13,147	-	-
Passed through NC Department of Health and Human Services:					
Division of Social Services:					
Administered by Carteret County Department of Social Services:					
Family Preservation	93.556		10,321	-	-
TANF Benefit Payments	93.558		335,165	3	1,285
Work First Administration	93.558		163,139	-	89,447
TANF Domestic Violence	93.558		18,244	-	-
Work First Service	93.558		713,669	-	494,543
Work First Demonstration Grant	93.558		5,090	-	-
AFDC Payments	93.560		(809)	(222)	(222)
Refugee Assistant Payment	93.566		2,775	-	-
			1,247,594	(219)	585,053
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		84,028	-	-
Administration	93.568		10,683	-	-
Crisis Intervention payments	93.568		116,763	-	-
			211,474	-	-

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2008

	CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
Passed through NC Department of Health and Human Services:					
Administered by Carteret County Department of Social Services:					
Subsidized Child Care Cluster:					
Child Care Development Fund Cluster					
Division of Social Services					
Child Care Development Fund-Administration	93.596		\$ 80,859	\$ -	\$ -
Child Care & Development Fund-Discretionary	93.575		538,368	-	-
Child Care & Development Fund-Mandatory	93.596		300,600	-	-
Child Care & Development Fund-Match	93.596		144,290	80,689	-
Total Child Care Fund Cluster			<u>1,064,117</u>	<u>80,689</u>	<u>-</u>
Social Services Block Grant	93.667		26,280	-	-
Temporary Assistance for Needy Families	93.558		455,300	-	-
Smart Start			-	6,597	-
State Appropriations			-	175,871	-
TANF- MOE			-	280,305	-
Total Subsidized Child Care Fund Cluster			<u>1,545,697</u>	<u>543,462</u>	<u>-</u>
Passed through NC Department of Health and Human Services:					
Division of Social Services:					
Administered by County Department of Social Services:					
Child Welfare Services:					
Permanency Planning:					
Regular	93.645		14,138	4,712	-
Special	93.645		4,197	-	1,399
			<u>18,335</u>	<u>4,712</u>	<u>1,399</u>
Foster Care and Adoption Cluster:					
Title IV-E Foster Care:					
IV E CPS	93.658		86,935	34,438	52,497
IV-E Optional Adopt TRN 50%	93.659		55,540	-	55,540
Foster Care in excess	93.658		12,952	-	7,236
Foster Care payments	93.658		98,283	27,388	27,388
IV-E Foster Care/OFF TRN	93.658		117,535	-	117,535
IV-E Foster Care TRN	93.658		2,841	-	947
IV-E Admin County Paid to CCI	93.658		184	-	184
IV-E Adoption Training	93.659		1,218	-	406
Title IV-E adoption subsidy	93.659		206,262	58,276	58,276
			<u>581,750</u>	<u>120,102</u>	<u>320,009</u>
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		2,691	-	384
In-home Services over 60	93.667		22,393	-	3,199
In-home Services - SSBG	93.667		158,124	16,235	58,120
			<u>183,208</u>	<u>16,235</u>	<u>61,703</u>
Passed through NC Department of Health and Human Services:					
Administered by County Department of Social Services:					
Independent Living Links	93.674		1,627	407	-
Links Transitional Funds	93.674		2,994	-	-
Links	93.674		12,160	3,040	-
			<u>16,781</u>	<u>3,447</u>	<u>-</u>
Passed through NC Department of Health and Human Services:					
Administered by County Department of Social Services:					
NC Health Choice	93.767		64,439	2,783	18,730

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2008

	CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
Passed through NC Department of Health and Human Services:					
Division of Medical Assistance:					
Administered by Carteret County DSS:					
Medical Assistance					
Expansion	93.778		\$ 9,215	\$ 9,215	\$ -
ADT CR HM CS Mgt/Spec	93.778		41,378	15,070	26,308
Benefit payments	93.778		34,954,034	17,975,285	2,386,748
Administration	93.778		792,622	-	792,622
Transportation Service	93.778		13,763	6,520	1,150
Transportation Administration	93.778		17,835	-	17,835
			<u>35,828,847</u>	<u>18,006,090</u>	<u>3,224,663</u>
Passed through NC Department of Health and Human Services:					
Division of Public Health:					
Administered by Carteret County Health Department					
HHS-CDC-Immunization					
Family Planning Service	93.217		147,977	-	30,407
Immunization Program/Aid to County Funding	93.268		14,824	-	-
Prevention Investigations and Technical Assistance	93.283		95,781	-	18,764
Rape Prevention	93.136		46,075	-	-
Social Services Block Grant	93.667		9,916	-	-
Statewide Health Promotion Program	93.991		23,200	-	55,433
Maternal & Child Health Services Block Grant	93.994		121,272	-	132,088
			<u>459,045</u>	<u>-</u>	<u>236,692</u>
Passed through NC Department of Health and Human Services:					
Division of Social Services:					
Administered by County Department of Social Services:					
Adoption/Foster Care	93.XXX		42,688	-	2,222
Total US Department of Health and Human Services			<u>40,571,344</u>	<u>18,717,346</u>	<u>4,492,590</u>
US Dept of Homeland Security, Office for Domestic Preparedness:					
Passed through NC Department of Crime Control and Public Safety,					
Division of Emergency Management					
Administered by County Emergency Management Department					
Homeland Security Grant	97.067		5,588	-	-
Homeland Security Grant	97.067		5,524	-	-
			<u>11,112</u>	<u>-</u>	<u>-</u>
State Assistance					
NC Department of Health and Human Services:					
Administered by County Finance Department:					
Services for Court Referrals					
Easer Seals- UCP			-	47,428	-
Juvenile Restitution Fund			-	55,002	-
Juvenile Crime Prevention			-	313	-
Teen Court			-	47,126	-
			<u>-</u>	<u>149,869</u>	<u>-</u>

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2008

	CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
Division of Social Services:					
Administered by County Department of Social Services:					
State/County Special Assistance Benefit payments			-	-	39,594
Energy Assistance, Private Grants			-	7,661	-
CPS Expansion State			-	55,561	-
County Funded Programs			-	-	693,759
Non-Allocating County Cost			-	-	385,380
Work First Non Reimbursable			-	-	174,900
AFDC Incent / Prog Integrity			-	124	-
Aid to Counties			-	35,411	-
TANF / AFDC Program Integrity			-	1,184	-
CWS Adopt Subsidy & Vendor			-	122,726	36,855
Foster Care At Risk Maximization			-	9,157	5,114
Foster Care At Risk			-	1,870	410
SC/SA Domiciliary Care payment			-	407,378	407,378
State Foster Home			-	29,894	29,894
			-	670,966	1,773,284
Division of Aging and Adult Services:					
Passed through Eastern Carolina Council of Government					
Administered by the County Department of Social Services					
In-house Services 90% State Funds:					
Senior Center :					
HCCBG - Access			-	28,902	3,211
HCCBG - In Home Support			-	146,457	16,273
HCCBG - In Home Support			-	349	39
HCCBG Congregate Meals			-	10,383	1,154
HCCBG - Home Delivered Meals			-	10,210	1,134
			-	196,301	21,811
Division of Public Health:					
Administered by County Health Department:					
AIDS			-	500	-
Communicable Disease			-	1,756	-
Breast and Cervical Cancer Control			-	10,410	-
General			-	57,139	1,021,282
Risk Reduction/ Health Promotion			-	11,191	-
TB Medical Services			-	1,529	-
Maternal Care Coordinator			-	3,000	-
Healthy Carolinians			-	16,048	-
Tuberculosis			-	10,964	69,460
			-	112,537	1,090,742
Division of Child Development:					
Passed through Carteret County Partnership for Children					
Smart Start			-	39,495	1,955
Total NC Department of Health and Human Services			-	1,169,168	2,887,792

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2008

	CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
NC Department of Environment and Natural Resources:					
Natural Resources Division:					
Passed through County Finance Office:					
White Goods Disposal			\$ -	\$ 30,757	\$ -
Scrap Tire Disposal			-	88,537	-
			-	119,294	-
NC Department of Crime Control and Public Safety:					
Division of Emergency Management					
Administered by the County Emergency Services Department					
Emergency Management Performance Grant			-	5,859	5,859
NC Department of Corrections:					
Administered by the County Finance Office:					
Criminal Justice Partnership Program			-	97,821	7,903
NC Department of Administration:					
Division of Veterans Affairs:					
Administered by County Veterans Services:					
Veterans Services			-	2,000	272,440
State Board of Elections					
Administered by Elections Services:					
Training and Operating Grant			-	24,906	-
Other:					
Improving Services for Male		016-1-06-A23-AV-38	-	20,693	6,137
Rape Prevention		1600071684	-	47,234	-
Rape Crisis Reducing Risks		016-1-07-00A-AH-54	-	15,245	5,082
Sexual Assault Grant Rape Crisis		016-1-07-001-BQ-01	-	49,428	15,317
Domestic Violence			-	49,338	12,335
Total NC Department of Administration			-	208,844	311,311

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2008

	CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
NC Department of Public Instruction:					
Public School Building Capital Fund					
Administered by the County Finance Department					
Corporate Income Tax Allocation			\$ -	\$ 450,000	\$ 2,131,147
Lottery Proceeds Allocation			-	400,000	-
			<u>-</u>	<u>850,000</u>	<u>2,131,147</u>
NC Department of Transportation					
Administered by the Carteret County Transportation Department					
DOT ROAP Work First and RGP Grant		DOT-16CL	-	95,721	10,636
DOT Elderly and Disabled			-	92,576	10,286
DOT Capital Vans			-	63,694	9,212
			<u>-</u>	<u>251,991</u>	<u>30,134</u>
NC Department of Commerce					
Administered by Carteret County Finance Department					
2006 CDBG Hookup		06-C-1581	-	28,616	270
2006 HMGP Isabel		1490-0012	-	87,381	
2005 CDBG Supplemental		05-I-1384	-	106,329	
Economic Development Grant			-	50,000	50,000
			<u>-</u>	<u>272,326</u>	<u>50,270</u>
Total Federal Expenditures			<u>\$ 47,241,007</u>		
Total State Expenditures				<u>\$ 21,700,158</u>	
Total Local Expenditures					<u>\$ 10,384,986</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, 2008**

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 of expenditures of federal and state awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the County's basic financial statements, except for "benefit payments" made by the State of North Carolina directly to eligible program beneficiaries and the value of food stamps and WIC vouchers distributed, which are not included as expenses or expenditures in the financial statements, are included herein.

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 funds.

Note 4. 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 and Aging Cluster.

Note 5. 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, 2008 was \$2,985,480.